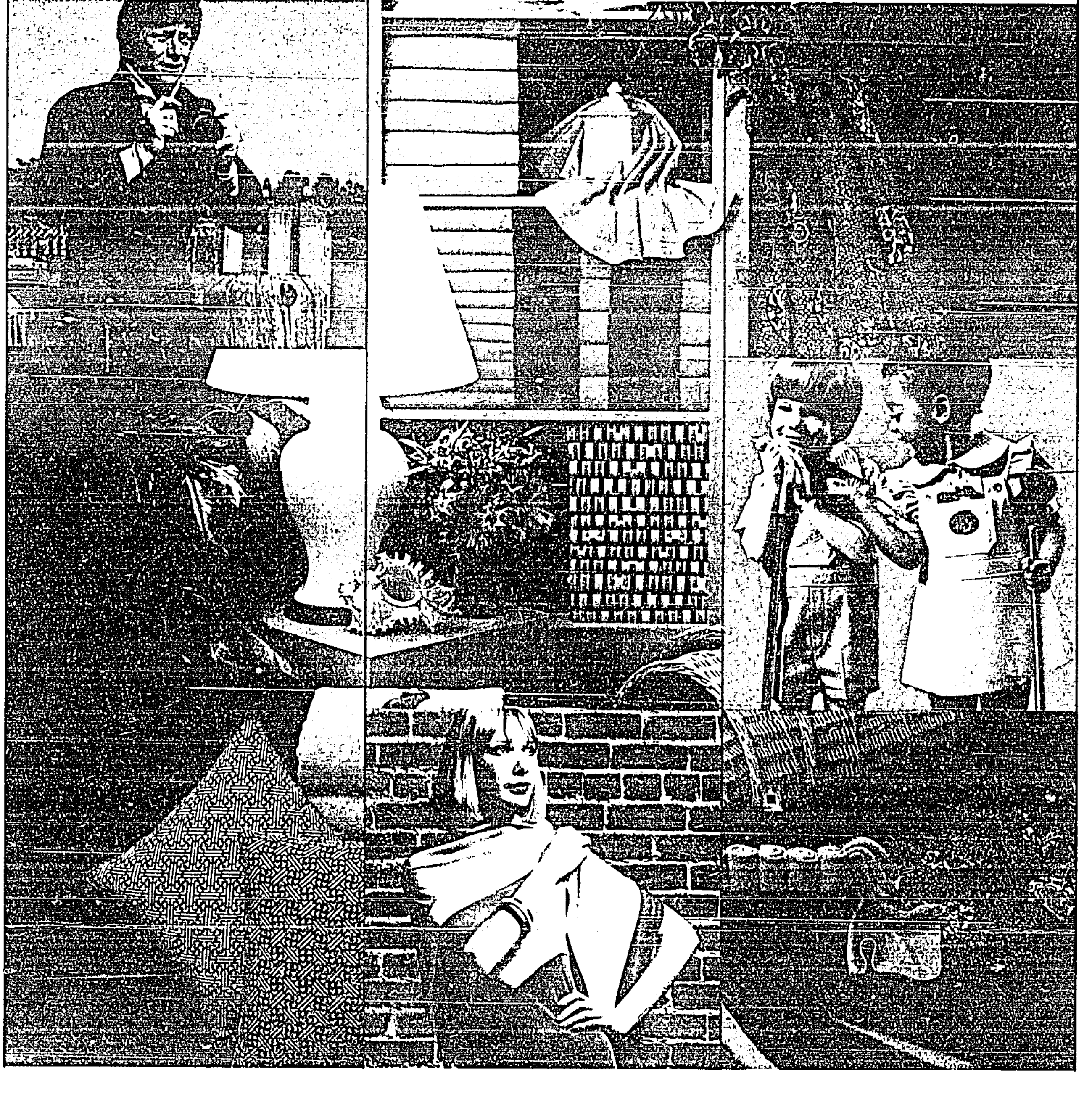
J. C. Penney Company, Inc.

1975 Annual Report



JCPenney

JCPenney is a major retailer of apparel, home, and automotive products, drug store merchandise, food, and insurance, serving consumers principally through stores and catalog operations in the United States and through stores in Belgium and Italy.

Annual Meeting

Our Annual Meeting of Stockholders will be held at 2 p.m. Monday, May 17, 1976, at the Essex House, 160 Central Park South, New York City. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 12, 1976.

Supplemental Information

Copies of the Company's Form 10-K annual report for 1975 to the Securities and Exchange Commission and consolidated Employer Information Reports EEO-1 for 1975 year end to the United States Equal Employment Opportunity Commission will be made available upon request to:

Ms. Sylvia A. Dresner
J. C. Penney Company, Inc.
Public Information
1301 Avenue of the Americas
New York, New York 10019
Phone: (212) 957-8170

Copies of the J. C. Penney Financial Corporation's annual report are available from:

Mr. Philip G. Rickards
J. C. Penney Financial Corporation
3801 Kennett Pike
P.O. Box 3999
Wilmington, Delaware 19807

Inquiries about your stockholder account should be forwarded to:

J. C. Penney Company, Inc.
Securityholder Services
P.O. Box 3940
Wilmington, Delaware 19807

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Financial Highlights
(In millions except per share data)

	1975	1974
Sales	$7,678.6	$6,935.7
Per cent increase from prior year	10.7	11.1
Net income	$ 189.6	$ 119.4
Per cent increase (decrease) from prior year	58.8	(35.9)
Per cent of sales	2.5	1.7
Per cent of stockholders' equity	13.5	9.1
Net income per share	$ 3.16	$ 2.02
Dividends per share	$ 1.16	$ 1.16
Capital expenditures	$ 298.4	$ 262.5

To Our Stockholders

For JCPenney, resumption of earnings growth was the major achievement of 1975. The gradual improvement of economic conditions as the year progressed, combined with our own efforts to control expenses and increase productivity, contributed to the earnings recovery.

Net income for 1975 increased 58.8 per cent to a record $189.6 million from $119.4 million in the prior year. On a per share basis, net income climbed to $3.16 from $2.02.

Sales in 1975 rose 10.7 per cent to a new high of $7.7 billion from $6.9 billion in 1974. Inflation accounted for approximately 3 per cent of our sales in 1975, versus 8 per cent a year earlier.

A dividend of 29 cents per share was paid in each quarter of 1975, bringing the dividend payment for the year to $1.16 per share.

As anticipated, economic conditions in the first half of 1975 created an especially challenging operating environment. By midyear, however, the worst of the recession was over, and operating results improved markedly in the third quarter.

In the fourth quarter, the most important part of the year for us, net income increased 235 per cent. Our fourth quarter sales rose 20.0 per cent to $2.6 billion, which was more than our total annual sales in 1965.

Our gross profit margin in the fourth quarter was much better than in the prior year, when excess inventories that prevailed throughout retailing led to intensive price competition.

Short term interest rates, which adversely affected our 1974 results, declined in 1975. This, in combination with a lower level of borrowings, reduced our interest expense last year to $101.0 million from $132.8 million in 1974. Borrowing requirements were down principally due to lower customer receivables during most of the year and to

Donald V Seibert, Chairman of the Board

improved inventory turnover, which in 1975 was the best we have achieved in several years.

The chief contributors to the increase in our net income in 1975 were full line stores and catalog. Soft line stores' profit was also higher than in the preceding year. Sales of full line stores totaled $4.1 billion and represented 53.2 per cent of Company sales, while soft line stores' sales were $2.2 billion or 28.5 per cent of the total.

Catalog volume rose 20.4 per cent to $690.2 million. Of this amount, $566.7 million represented sales through catalog centers in stores, with mail order sales of $123.5 million accounting for the remainder.

Drug stores' profit improved over the 1974 level; sales increased 20.7 per cent.

Our European operations were profitable in 1975 after reflecting a loss in 1974. Sales reached a record $486.2 million.

The Treasury stores experienced a loss for the second consecutive year. This was due primarily to the effects of a decline in sales of comparative stores and expenses associated with store openings. Sales meanwhile rose to $451.9 million. Six new stores, all in the greater San Francisco area, were opened in early 1975. The Company has no commitments for additional Treasury stores.

Supermarkets, which consist of 21 units located primarily in department and discount stores of other retailers, operated at a loss in 1975. This was due principally to a sales decline of 6.3 per cent.

Largely as a result of increased underwriting losses incurred in our casualty insurance operations, which were typical of the industry in 1975, the contribution of our insurance companies to net income declined to $4.6 million, compared with $9.7 million in the prior year.

In 1975, we opened 7.4 million gross square feet of new store space. In addition to the six The Treasury stores already mentioned, we opened 31 full line stores, 14 soft line stores, 15 drug stores, two supermarkets, and one store in Belgium. Capital expenditures for the year amounted to $298.4 million.

Looking to 1976, we anticipate another strong year, with especially good prospects for sales and earnings improvement during the first half compared with the first half of 1975.

Our expansion plans for 1976, as announced late last year, call for an increase of about 5.5 million gross square feet of store space, with capital expenditures approximating $265 million. We plan to open 25 full line stores, 15 soft line stores, 15 drug stores, and two stores in Europe. It is likely that acquisitions of vacated retail space will add to the number of JCPenney stores to be opened in 1976.

We have considerable flexibility in our plans. Given attractive economic conditions and good earnings performance, we

will augment our planned expansion with projects requiring shorter lead times. New stores in medium size and smaller markets can generally be opened with a lead time of no more than one year. In situations where we have the opportunity to acquire vacated retail space, the lead time can be considerably less than a year.

Our long term expansion plans remain essentially unchanged. The main thrust continues to be full line stores in major shopping centers of metropolitan areas.

Another major effort is the further building of our catalog business. The opening of our fourth catalog distribution center, near Kansas City, Kansas, is scheduled for late summer of 1977. The 1.9 million square foot Kansas facility will expand our total catalog distribution space by about 30 per cent. Our first center to serve the Far West is scheduled to open in the early 1980's near Reno, Nevada.

To support future expansion and increase the Company's equity base, 3 million shares of common stock were sold in a public offering last December. The net proceeds from this offering, approximately $131 million, were initially invested in prime money market obligations. The funds will ultimately be used to meet the various working capital and capital expenditure requirements of the Company.

We believe that over the long term success in retailing requires the building of businesses that are distinctive. During our first 60 years, we concentrated on establishing a strong consumer franchise for soft goods. We emphasized quality and value and identified these attributes through the use of our own private brands for almost all categories of merchandise. From the very beginning, we stressed merchandise testing and quality control and placed a high priority on specification buying to assure that materials and workmanship met our standards.


Jack B. Jackson, President

We have also emphasized honesty in our dealings with consumers and have developed a reputation for reliability. Although we have embarked on a number of new programs over the past 15 years, we feel that the objectives and standards that have guided us since the Company's founding not only are in accord with today's heightened consumer consciousness, but also have helped us build a loyal customer following.

The major new programs that we began to implement in the early 1960's were designed to be distinctive. Perhaps the best example is our catalog operation with its huge distribution facilities and complex equipment and systems. It took us eight years to make our catalog operation profitable, but it is now a significant contributor to Company profit and is growing rapidly.

The full line store program was designed to enable us to gain entry to regional shopping centers as a major department store tenant. The regional shopping center, carefully planned and well located to provide one-stop shopping for most consumer needs, has been the dominant development in modern day American retailing. Our first full line store opened in a regional shopping center in 1963. At the end of fiscal 1975, we had 385 of them, accounting for more than half our sales.

In establishing a full line store program, we had to gain the confidence of consumers for expanded merchandise offerings, including big ticket durables such as major appliances, television sets, furniture, and carpeting, which we had never before offered. These are challenging lines, but we have made considerable progress in developing them.

The entry into full line stores and catalog has also enabled us to expand our merchandise offerings in soft goods. In particular, these new programs have greatly enhanced our ability to sell fashion merchandise, principally women's and men's apparel. Fashion is a big and very profitable business for us. Our market share, however, is well below our average for soft goods generally, and we expect to increase it.

The term "fashion" no longer applies merely to apparel, but is also apparent in many lines of home and leisure merchandise. Our merchandising program is geared to a rapidly changing fashion environment, where style ideas are communicated to all markets at a faster pace than ever before. The old dividing lines of sex, age, and status are disappearing. Everybody is interested in fashion, and taste levels are becoming more sophisticated. The essay which follows indicates the impact of fashion on our major merchandise areas.

Our responsibilities to our customers, Penney employees, and the communities where we do business remain an integral

part of our day-to-day operations. On page 16 of this report, we provide relevant statistical data on such programs as equal employment opportunity, minority economic development, on-loan assignments, charitable contributions, energy conservation, and resource recovery.

In February 1976, Walter J. Neppl was elected President and Chief Operating Officer, succeeding Jack B. Jackson, who is retiring after 35 years with the Company. Mr. Jackson remains a director. At the same time, Lee S. Moore was elected Executive Vice President, succeeding Mr. Neppl. Mr. Moore was also named a director. The changes are effective April 1, 1976.

Ray H. Jordan, who was President of the Company from 1964 to 1968, retired as a member of the Board of Directors in 1975 after 45 years' service to JCPenney. Mr. Jordan was a major contributor to the expansion programs we have discussed in this letter.

We wish to express our thanks to our JCPenney employees, suppliers, and stockholders—the people who made possible our progress in 1975. With their continuing support, we can accept future challenges with confidence.

Donald V. Seibert

Donald V. Seibert, Chairman of the Board

Jack B Jackson

Jack B. Jackson, President

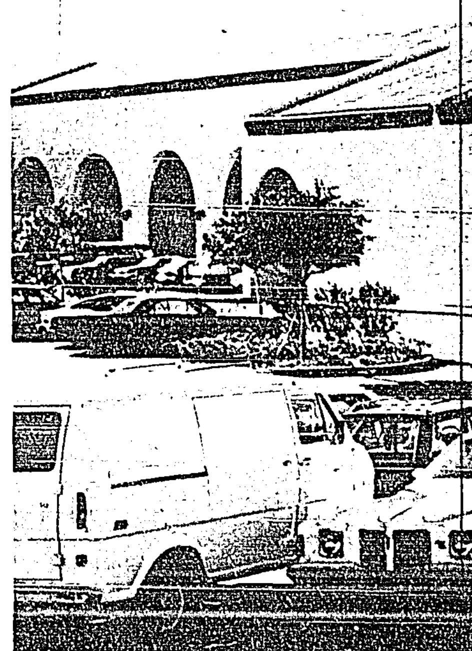
[illegible] [illegible] shelf space we approach in many ways: fixturing that puts more merchandise within the customer's reach, smaller stores that accommodate a larger-than-traditional amount of merchandise, packaging that facilitates self service where appropriate. We have covered such efforts in our reports to you in the past two years.

This year we examine store space productivity from a different angle: the allocation of store selling space to five major merchandise categories—women's apparel and accessories, men's apparel and furnishings, children's lines, leisure and automotive equipment, and home furnishings and home improvement lines.

If there were such a thing as a typical JCPenney store—and we would like to dispel such a notion—it would be easy to generalize about our merchandise mix. As it is, with merchandise the key to sales and profits, our stores necessarily differ from market to market depending on such variables as climate, lifestyle, income, and taste level.

Three stores opened in 1975 will serve as the focal points for our discussion. They are a large department store in Laguna Hills, California; a medium size department store in Janesville, Wisconsin; and a small store in Santa Fe, New Mexico.

As we discuss each category of merchandise, we will indicate the impact of specific merchandise programs on each of these three stores. We will also explain the role of catalog in each merchandise area.



[illegible]

[illegible] to satisfy the special needs of [illegible] customers—the majority of week[illegible] daytime shoppers—we have instituted such services as package wrapping and mailing that are not common to our other stores.

Contrary to the national trend of the past two years, the Laguna Hills trade area has had a growing number of housing starts. Young families and retirees are building and furnishing new homes, providing a good market potential for home furnishings and large appliances.

Laguna Hills' net selling space of 103,207 square feet is allocated as follows:

Women's apparel and accessories	25%
Men's apparel and furnishings	10%
Children's lines	10%
Leisure and automotive equipment	25%
Home lines	25%
Other	5%

Janesvil[illegible] Wisc[illegible]

Located [illegible] miles southwest of Milwaukee, Janesville is a growing community of 50,000 people. A recent survey showed an increasing number of two-income families with average earnings of $21,000 annually. Highly skilled, well paid workers are the dominant segment of our customer population. Their interests in skiing, snow-mobiling, bowling, and fresh water fishing affect the selection of both sporting goods and apparel. Children's and men's lines in particular have a good competitive edge, followed by misses and half-sizes.

Janesville's net selling space of 75,669 square feet is allocated as follows:

Women's apparel and accessories	30%
Men's apparel and furnishings	15%
Children's lines	10%
Leisure and automotive equipment	20%
Home lines	20%
Other	5%

Santa [illegible]

Santa Fe, [illegible] capital of Ne[illegible] in the trade a[illegible] is center for [illegible] customers are employed by city, county, and state offices. There is an increasing number of retired people.

To a greater extent than Laguna Hills and Janesville, Santa Fe's climate influences the merchandise mix. Living at an altitude of 7,000 feet, our customers require sweaters or light outerwear during the spring, summer, and fall and very warm outerwear during the winter. [illegible] fashions are represented during the long November through Easter season.

Our fashion conscious Santa Fe customers like to "dress up" for the office, as well as for the varied recreation and cultural attractions of the city.

Santa Fe's net selling space of 28,720 square feet is allocated as follows:

Women's apparel and accessories	45%
Men's apparel and furnishings	20%
Children's lines	20%
Home lines	10%
Other	5%

Women's Apparel and Accessories

The prime space in these three stores is devoted to women's apparel and accessories. The most heavily trafficked entrance at Janesville and Santa Fe leads into junior and misses sportswear. The second most popular entrance opens onto cosmetics, handbags, and scarves— one of the hottest fashion items all over the country in 1975.

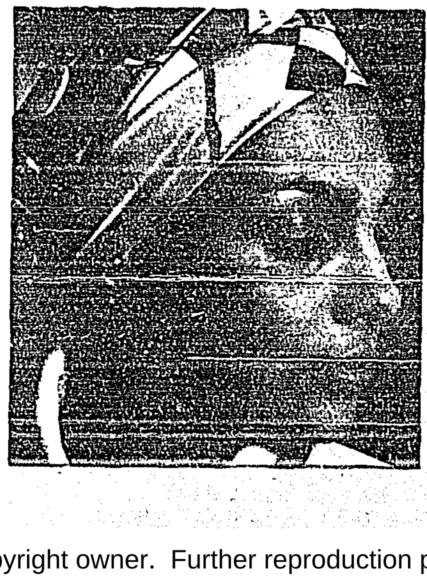
At Laguna Hills, cosmetics and accessories are found at the mall entrance, which draws the greatest number of shoppers. Adjacent to this area are dresses and sportswear designed with our more mature customers in mind. To meet the special needs of this market, we have a selection of foundation garments and conventional stockings not found in many other JCPenney stores.

Of the three stores, Laguna Hills is the only one with a bridal department. This is located immediately to the right of the second most heavily trafficked entrance and adjacent to junior sportswear, which greets the customer as she enters.

Fine jewelry is part of the mix at Laguna Hills. Santa Fe concentrates on sterling silver American Indian jewelry, with prices ranging up to $200. Janesville has costume jewelry only.

Sportswear separates, which have become the fashion staples of the American woman's wardrobe, dominate the women's apparel area in all three stores. Fabrics and price points may vary, but popular looks such as the current "white plus brights" are generally available.

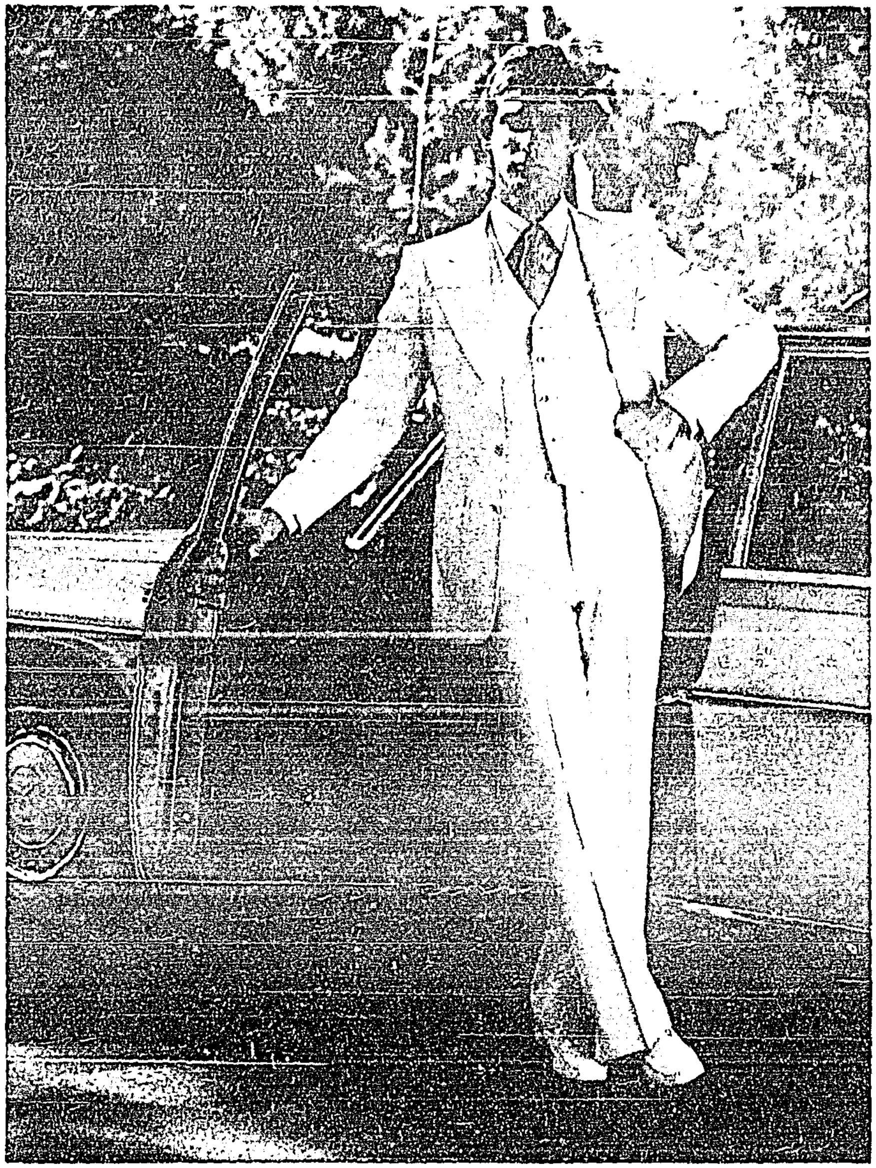
Long dresses are equally at home in all three stores, but formal, as opposed to casual styles, are more prevalent in Santa Fe, where customers like to "dress up" during the opera and theater seasons.



Apparel and accessories for women and juniors are customarily shown in the opening section of our catalogs, with the latest fashion looks put together from head to toe. These lines are presented in 290 pages in the current Spring/Summer Catalog; this is 26 per cent of the 1,119-page book. Significantly, 224 pages are in full color, with black and white pages used for the more basic merchandise.

The men's department is located opposite the women's fashion area. In the Laguna Hills and Janesville stores, it has its own entrance from a rear parking lot; this adds to the "shop" atmosphere that is created by the lighting and fixturing.

With a large retirement community nearby, Laguna Hills attracts many older male customers, and a special shop has been installed to cater to their physiques and casual lifestyles.



Man-Mates and Jean-Mates, carried by all three stores, reflect the latest fashion trends in sportswear coordinates at price points considerably below those of other nationally recognized labels.

Softly constructed leisure suits, which came to the fashion front in 1974, continued to be favorites among our customers in 1975. These outfits are suitable today for casual wear as well as many work situations. They are best sellers in all three stores at prices ranging from $30 to $80.

At the higher end of our fashion lines, styling is likely to echo leading designer and advance fashion influences. The classic vested suit is a good example. JCPenney customers responded enthusiastically to the more conservative look of vested suits during the latter part of 1975.

Over the years, we have built a reputation for quality and value in our workclothes and underwear and, as a result, enjoy a large share of market in these lines. Our market share is increasing in hosiery, dress shirts, pajamas, and slacks, and we have launched programs to make further gains in these areas.

The separates look, which is so pervasive in the women's area, has also greatly influenced men's lines. This is why we now have a special coordinates buyer who is responsible for purchasing all the components of a given line. Display techniques developed for women's sportswear have also been adapted to the men's department.

In the catalog, "His 'n Hers" pages of sportswear coordinates cross line and department boundaries, which would not be feasible in most stores. Catalog also has a distinct advantage in the presentation of men's accessories, showing customers how shirt, pants, belt, neckwear, and body jewelry can be combined into a handsome outfit.

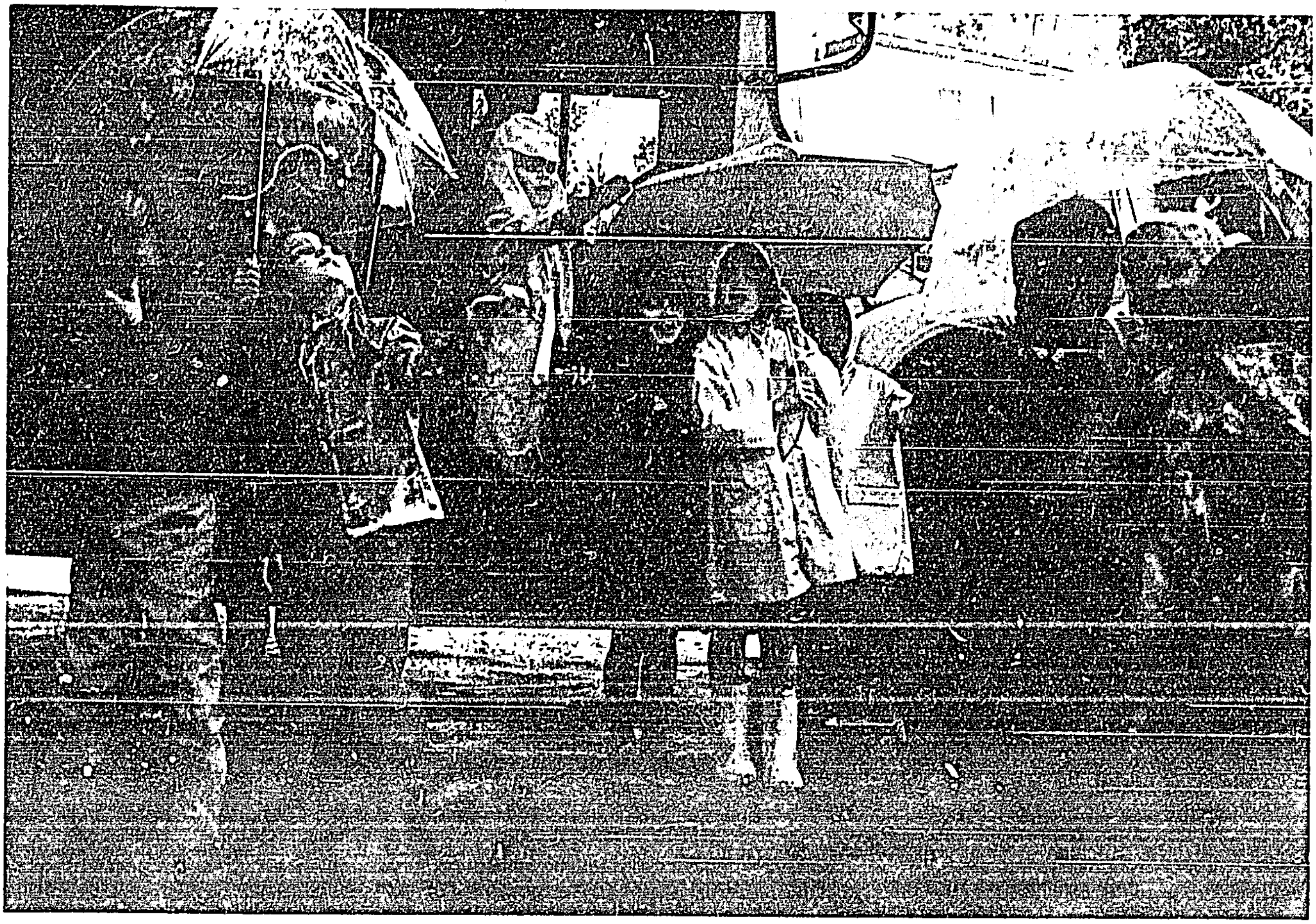
In the Spring/Summer Catalog, 122 pages, or 11 per cent of the total, are devoted to men's wear. All but seven of these pages are in full color.

JCPenney has long been identified with children's wear so our customers are not likely to overlook this merchandise even if it does not catch their eye when they enter the store. This department is often located on the upper level, although in Laguna Hills it's on the first (Santa Fe and Janesville are one-level stores).

In all three of these stores, the children's area follows a horseshoe configuration: infants' clothing and furniture centered between girls' and boys' wear. Price points, however, vary. Laguna Hills emphasizes the upper end while Santa Fe and Janesville concentrate on the middle of the range. Our children's lines in Santa Fe have a particular appeal for the sizable per cent of the population that has large families. Children's wear is Janesville's strongest area, the principal factor being the competitive edge our prices give us in that community.

Standard "wear" for all three stores is the Super Denim line for kids. Known for its durability under the tough conditions a boy or girl might impose, our Super Denim coordinates followed fashion's changing demands in 1975, with a new soft finish as

Children's Lines



well as the added choice of brushed denim. For flying a kite or going to a dance, our "Match Factory" denim coordinates are equally appropriate.

Sesame Street came to JCPenney in 1975 when we introduced a line that features the nationally known "Muppet" personalities and integrates some of the basic educational concepts of the Children's Television Workshop program. This exclusive line of children's apparel has exceeded our sales expectations and is featured in all three of these stores.

In another association that is mutually profitable, we are able to offer uniforms and equipment for Boy Scouts in 500 stores and Girl Scouts in 360 stores. Laguna Hills has both departments.

Just as it is in the women's and men's areas, fashion is an important, even essential, component in children's garments. Ethnic looks were wanted by little girls as well as their big sisters in 1975. The dress shown on the opposite page was among four winning entries in our annual competition for students at the Parsons School of Design. The design was bought by us and incorporated in last Fall's line.

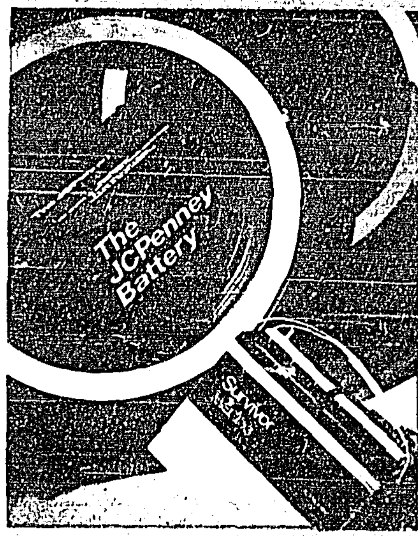
We are even adding more styling to such basic merchandise as socks, underwear, and sleepwear. We are making a major effort at the same time to provide lower opening price points for these lines. Another ongoing program calls for expanding various merchandise assortments to include flame-resistant items.

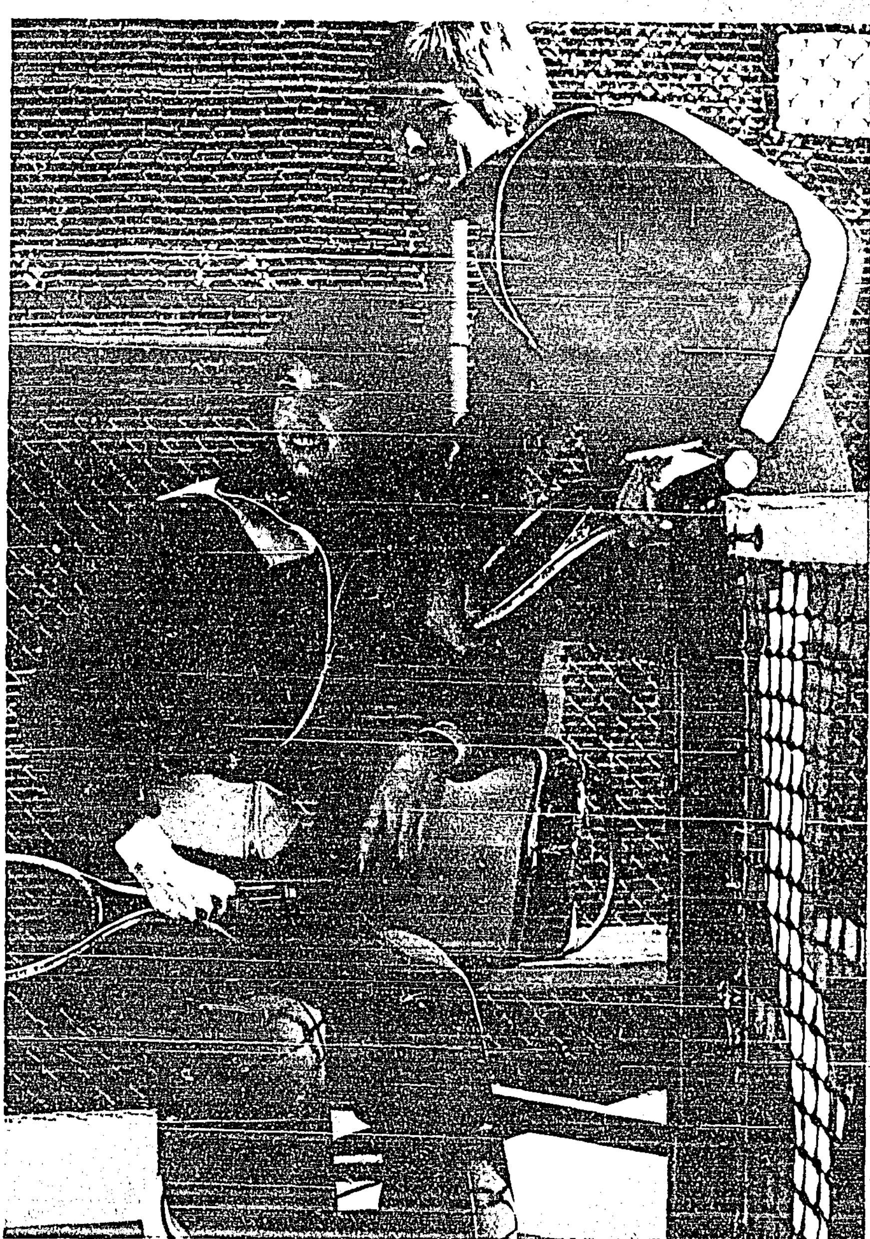
The Spring/Summer Catalog devotes 98 pages, or approximately 9 per cent of the total number, to children's lines. Some 82 pages are in full color.

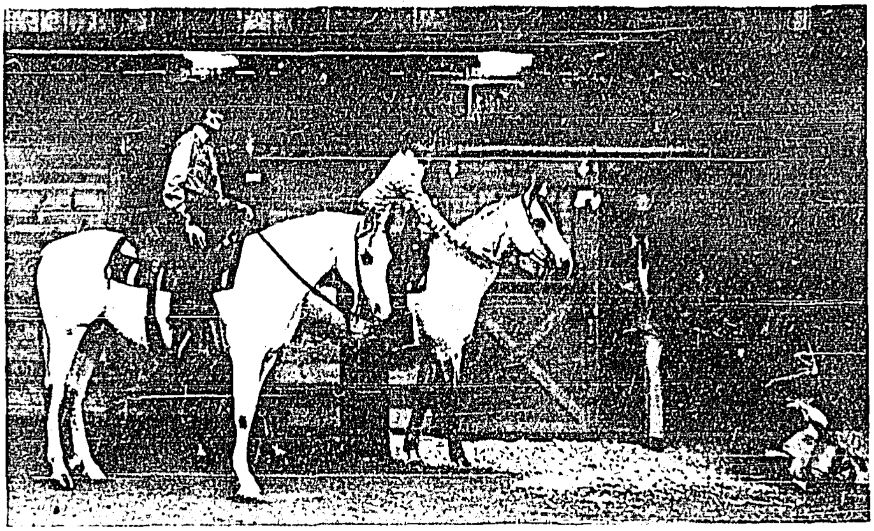
Leisure and Automotive Equipment

Leisure and recreational equipment is located near the back entrance of the Janesville store, and on the second level at Laguna Hills. Santa Fe does not carry this category of merchandise, nor does it have an automotive center as both of the other stores do.

Photography departments are found in Laguna Hills and Janesville in a central location, and photo equipment follows the men's wear section in catalog. Our national brand camera business has been growing steadily, and today we lead all retailers in the United States in sales of 35mm cameras retailing for more than $100.







Tennis gear is a volume leader both in Laguna Hills and Janesville. In the latter city, the opening of indoor tennis facilities has prompted the store to carry this category of merchandise all year round. Fresh water fishing gear is also offered at Janesville, while wet suits are carried by Laguna Hills. Bicycles are offered by both stores.

Western Shops are found in Laguna Hills and Santa Fe. The first such shop was opened seven years ago, and today we have more than 200. Merchandise carried by these shops differs, however. Some shops, such as that in the Santa Fe store, offer strictly apparel, while others present a full line of tack, including saddles costing up to $800.

In addition to photography and sporting goods, toys and home electronics are the major components of the leisure classification.

The investment in space for this area in total is considerable, but it is important to remember that a department store serves many wants and needs. Multiple sales naturally result from having everything for the pool or court, not just the right apparel.

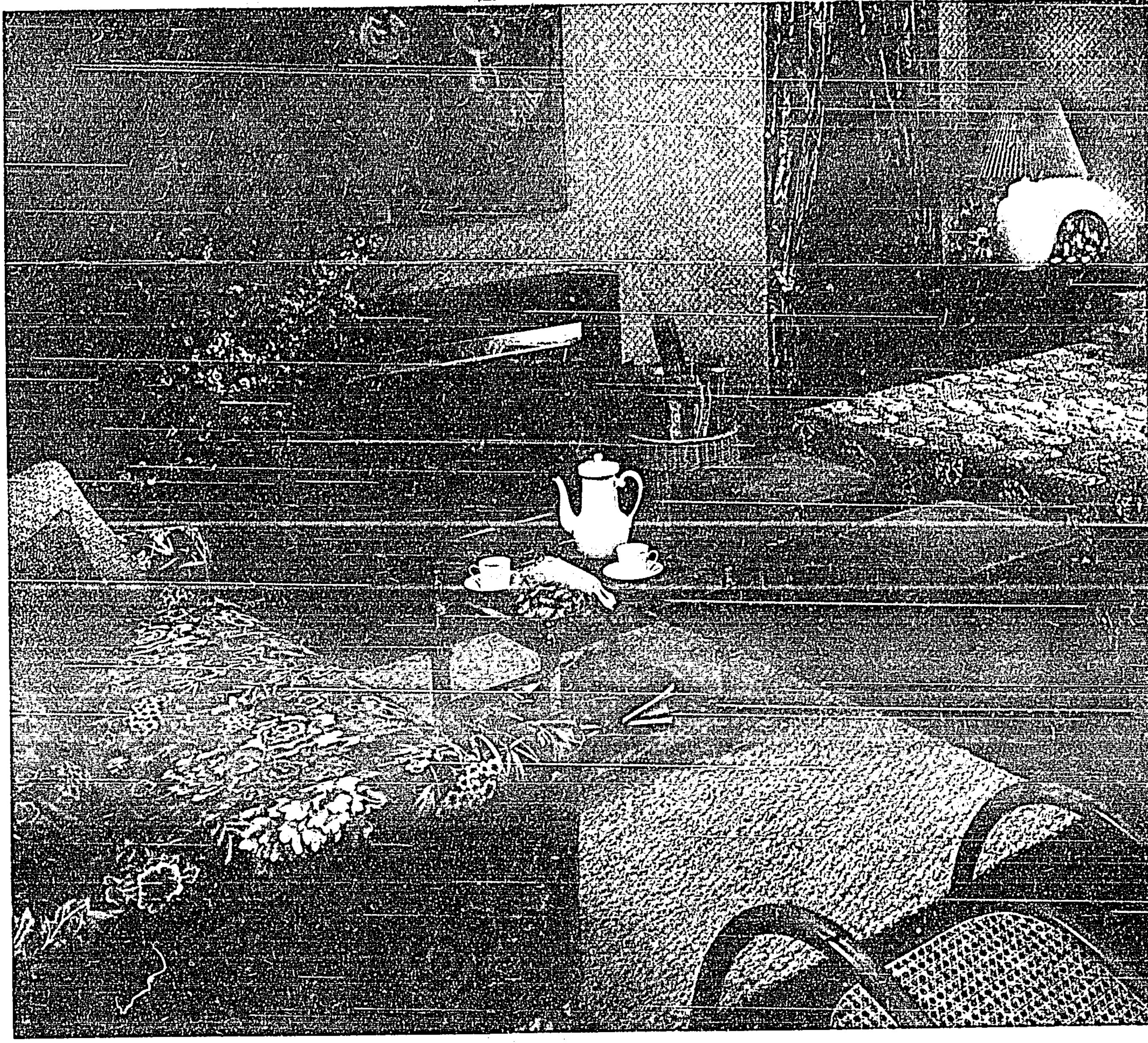
The other component of this category is automotive. At Laguna Hills, the automotive center is separate from the store. At Janesville, the center is attached, and the automotive sales area is located within the store. Six-foot high gondola displays present up to 4,000 different automotive, paint, and hardware items, which can be loaded right into the trunk of a customer's car.

Sales of the JCPenney Battery continue strong. The new JCPenney Aramid tire, which like our battery has an exceptional warranty, has met excellent response both in catalog and stores. Our marine battery has just been introduced.

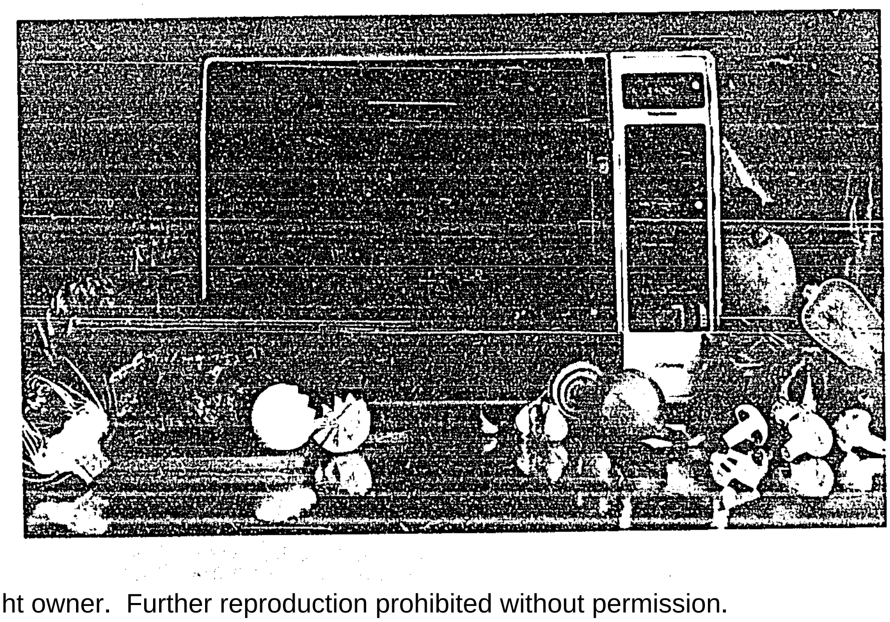
In some instances, early response to a new product does not indicate its sales potential. A good example is our citizen's band radio line, which we introduced 12 years ago, becoming the first chain merchandiser to offer this product. We now have a good share of this vastly expanded market. Sales of C.B. radios from the 1975 Christmas Catalog exceeded $3 million.

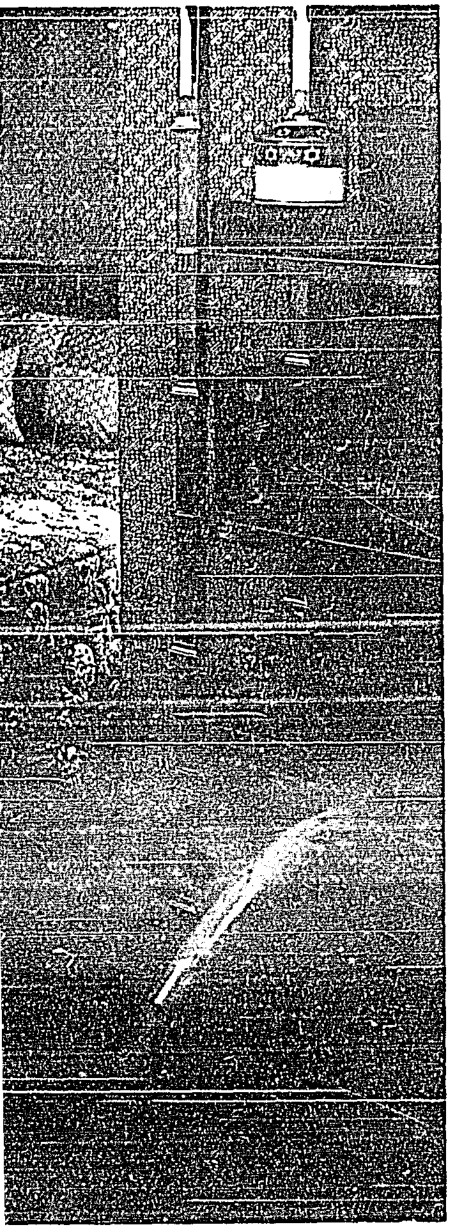
In the Spring/Summer Catalog, 138 pages, or approximately 12 per cent of the total number, are devoted to leisure and automotive equipment.

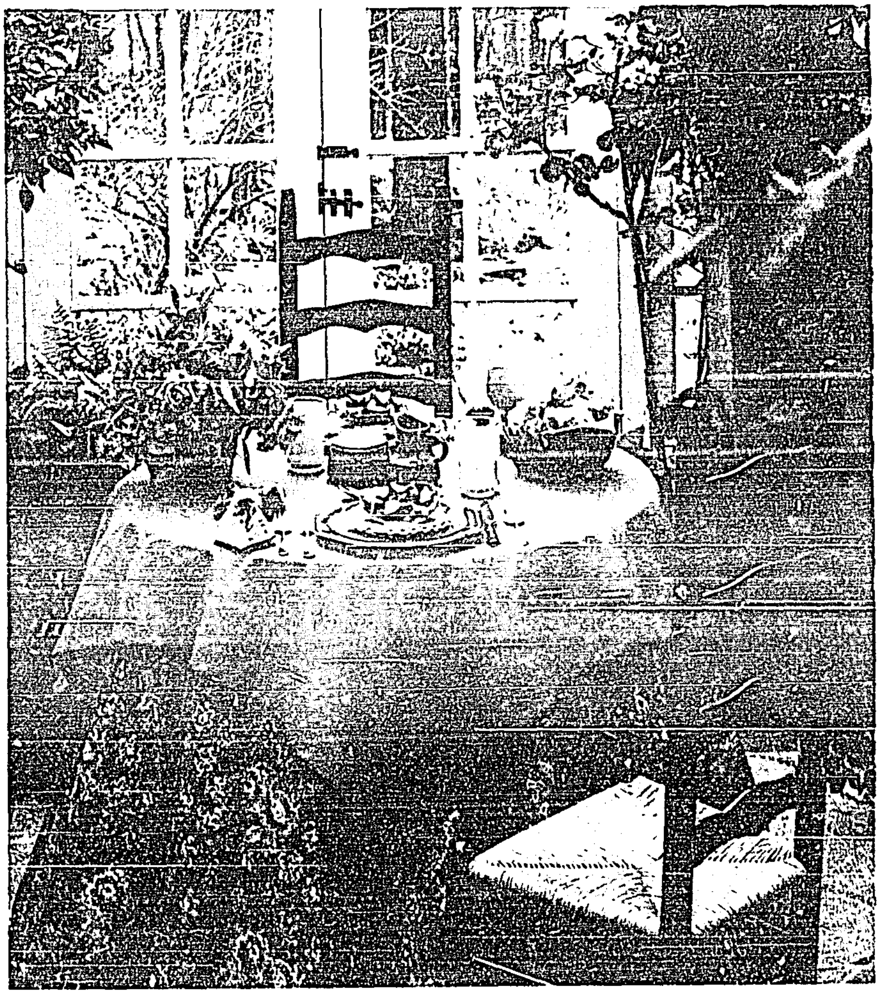
The availability of automotive equipment through catalog further extends the merchandise assortments of stores that do not have automotive centers.



Home Furnishings and Home Improvement Lines







The home furnishings mix of each of these three stores varies more than any other. The constants are soft goods: sheets, towels, bedspreads, curtains, draperies.

Santa Fe has virtually no hard goods except such small appliances as toasters and coffee makers. Janesville has no furniture or major appliances. Both stores rely heavily on catalog to serve customers' needs in this area.

Big ticket durable merchandise, such as major appliances, furniture, and carpeting, is generally offered in large markets where the potential sales volume justifies the investment and expense requirements. Substantial stockroom space and delivery, installation, and repair services must be provided for these lines.

In the catalog, the largest single category of merchandise is home furnishings and home improvement lines. Some 471 pages, or 42 per cent of the total number, were utilized in the Spring/Summer book, with 328 pages in full color.

Approximately one-third of our total catalog volume comes from home furnishings, with bedspreads and draperies generating about the same level of sales through catalog as through stores.

Fireplace equipment, which is offered by an increasing number of stores (including Laguna Hills), is sold mainly through catalog. A glass firescreen, offered in our Christmas Catalog, produced more than $2 million in sales.

In addition to our regular furniture lines, we offer a made-to-measure drapery service and custom decorating. In the bed-sitting room above, all fabrics are from the regular line, as are the sofa, lamps, coffee table, stools, mattress and box springs, and étagère. The campaign chest, fireplace screen and equipment, and headboard are from catalog. The bedspread is custom made.

Corporate Responsibility

Our responsibilities as a corporation extend beyond the quality and value of our merchandise to societal and environmental objectives that are integrally related to our business goals. This page summarizes Company performance in areas that we believe important to our employees, customers, and the communities in which we do business.

Charitable contributions

The total amount of our charitable contributions was $2.6 million in 1975, compared with $2.8 million in 1974.

Energy conservation

Store electrical consumption totaled 1.50 billion kilowatt hours in 1975, compared with 1.63 billion in 1974, a reduction of about 8 per cent.

One specific conservation effort involved the installation of power management units (PMUs) in 249 JCPenney stores and 27 The Treasury units. These devices reduce the amount of electricity consumed by store heating and air conditioning equipment by 10 to 15 per cent without affecting customer comfort or service. The cost of each PMU is recovered in about six months through the reduction of utility expenses.

Resource recovery

Some 40 stores participated in the Company's solid waste recovery program. An overall 10 per cent reduction in waste disposal costs was realized by these stores despite a severely depressed waste paper market.

Employment

At year end, employment totaled approximately 186,000, of whom 176,824 were employed in the continental United States. Summaries based upon the Company's consolidated Employer Information Reports EEO-1 to the United States Equal Employment Opportunity Commission for the years 1975, 1974, and 1973 appear below.

	1975		
Category	Total	Female	Minority
Officials, managers, and professionals	23,537	8,406	1,445
Sales workers	78,701	63,968	6,794
Office and clerical workers	43,686	38,450	4,973
Technicians, craftsmen, and operatives	13,103	6,657	1,786
Laborers and service workers .	17,797	7,050	3,183
Total	176,824	124,531	18,181

	1974		
Category	Total	Female	Minority
Officials, managers, and professionals	24,625	8,608	1,506
Sales workers	83,282	68,309	6,334
Office and clerical workers	45,141	39,822	4,867
Technicians, craftsmen, and operatives	14,405	7,103	1,927
Laborers and service workers .	16,208	6,114	2,867
Total	183,661	129,956	17,501

	1973		
Category	Total	Female	Minority
Officials, managers, and professionals	23,210	7,547	1,244
Sales workers	89,795	73,850	6,637
Office and clerical workers	46,162	39,082	5,129
Technicians, craftsmen, and operatives	14,875	6,467	2,288
Laborers and service workers .	16,090	5,975	3,076
Total	189,932	133,721	18,974

Included among the officials, managers, and professionals in 1975 were 1,406 management trainees, of whom 518 were female and 257 were minorities. The comparable figures for 1974 and 1973, respectively, were 2,571 and 2,886 trainees, of whom 887 and 842 were females, and 343 and 298 were minorities.

Minority economic development

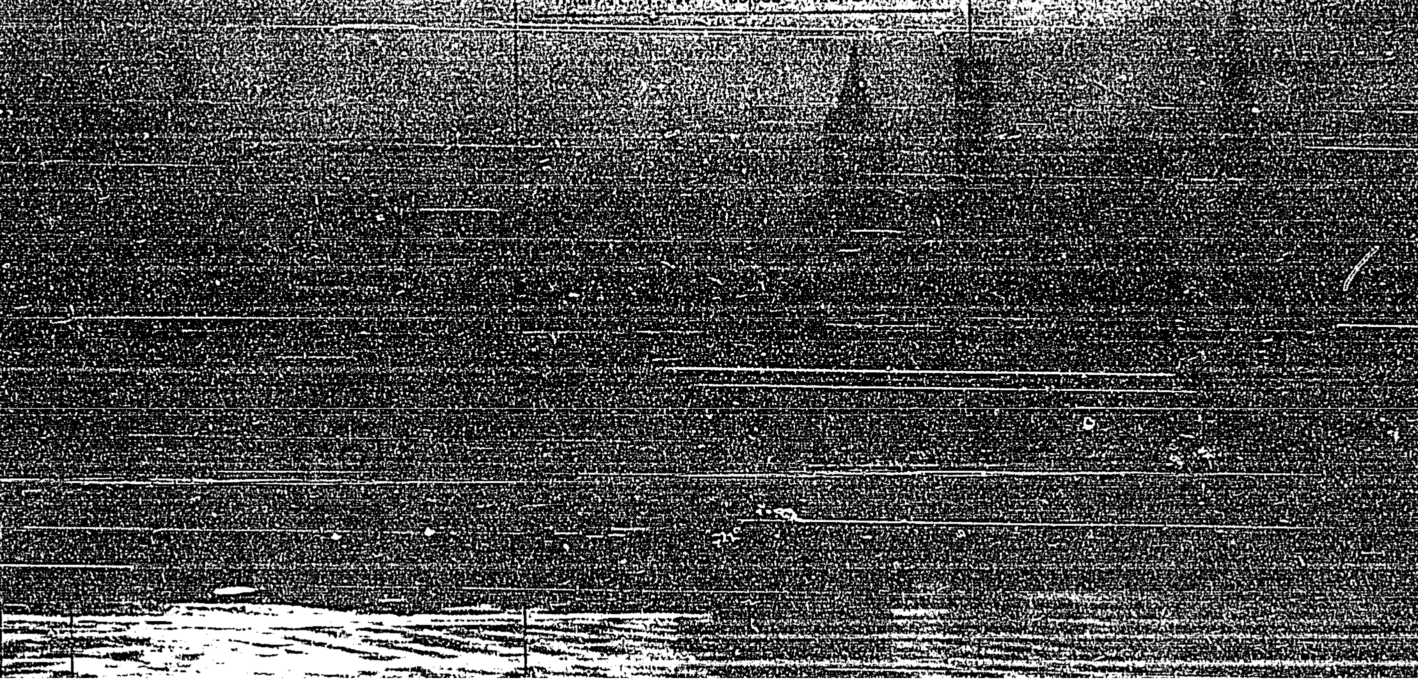
JCPenney purchased $14.5 million of merchandise and services from minority suppliers last year, as compared with $10.7 million in 1974. We had Company representatives on 26 regional councils of the National Minority Purchasing Council, up from 21 the previous year.

Our accounts with minority banks had balances at year end of $303,000, versus $285,000 in 1974. At year end, our lines of credit with these banks amounted to $1.4 million, up from $1.2 million a year earlier.

On-loan assignments

We adopted specific procedures in 1975 for the loan of employees to local, state, and federal governments and to charitable and educational institutions. Our policy in this regard is that the assignment must offer the employee an opportunity for professional development.

Nine JCPenney employees served in on-loan assignments of up to one year during 1975 while continuing to receive full compensation and benefits. Included in this number is Kenneth S. Axelson, Senior Vice President and Director of Finance and Administration, who is serving as Deputy Mayor for Finance of New York City.



1975 Review of Operations and Financial Information

Sales in 1975 were $7.7 billion, an increase of 10.7 per cent over the $6.9 billion in 1974. Fiscal 1975 comprised 53 weeks, compared with 52 weeks in 1974. On a comparable 52-week basis, sales in 1975 were 9.4 per cent higher than in 1974. Following are the components of the Company's sales:

(In millions)	1975 (53 weeks)	1974 (52 weeks)	Per cent increase (decrease) All units	Comparative units
JCPenney stores				
Full line	$4,089	$3,570	14.5	6.5
Soft line	2,189	2,151	1.8	2.7
Total	6,278	5,721	9.7	5.1
The Treasury stores	452	385	17.4	(5.7)
European operations	486	413	17.8	11.5
Drug stores	231	191	20.7	15.4
Supermarkets	109	116	(6.3)	(5.3)
Mail order	123	110	11.9	n/a
Total sales	$7,679	$6,936	10.7	5.0

Catalog merchandise sold through catalog sales centers located in the Company's stores is included in the sales of those stores. Drug and grocery sales through JCPenney and The Treasury stores are included in the sales of those stores. Food sales by European operations are included in the sales of those operations. Comparative units are those in operation throughout both 1975 and 1974. For further analyses of sales, see the discussion below of each of the Company's operations and the Ten Year Operations Summary on page 30.

The table below sets forth unaudited sales for each quarter:

(In millions)	1975	1974	Per cent increase
First quarter	$1,493	$1,453	2.7
Second quarter	1,711	1,582	8.2
Third quarter	1,914	1,766	8.4
Fourth quarter (14 weeks in 1975)	2,561	2,135	20.0
Year	$7,679	$6,936	10.7

In the 10 years ended January 31, 1976, sales have increased at the compound annual rate of 12.3 per cent.

Net income was $189.6 million in 1975, an increase of 58.8 per cent over the $119.4 million earned in 1974. Effective October 1975, the Company changed its accounting policy for foreign exchange translations to comply with the Statement of Financial Accounting Standards No. 8—Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements. The change in accounting, which was required to be on a retroactive basis, increased 1975 net income and net income per share by $4.2 million and 7 cents. The change reduced the previously reported 1974 net income and net income per share by $5.7 million and 10 cents.

Unaudited net income per share for each quarter, reflecting this change in accounting, is shown in the following table:

	1975	1974	Increase (decrease)
First quarter	$ .09	$ .35	$ (.26)
Second quarter	.45	.52	(.07)
Third quarter	.81	.59	.22
Fourth quarter	1.81	.56	1.25
Year	$3.16	$2.02	$1.14

In the 10 years ended January 31, 1976, net income per share has increased at the compound annual rate of 7.4 per cent.

Net income per share is based on the weighted average number of shares outstanding during each period.

The dividend declared per share was 29 cents in each quarter of 1975 and 1974 and totaled $70.1 million in 1975 and $68.4 million in 1974. Dividends declared were 36.7 per cent of net income per share in 1975.

Retail units and net selling space increased as follows:

	1975 Number of units	1975 Net selling space (000 sq. ft.)	1974 Number of units	1974 Net selling space (000 sq. ft.)
Additions				
JCPenney stores				
Full line	31	3,188	21	2,156
Soft line	14	356	6	105
Total	45	3,544	27	2,261
The Treasury stores	6	565	6	689
European operations	1	55	1	93
Drug stores	15	168	18	204
Supermarkets	2	35	2	35
Total	69	4,367	54	3,282
Closings				
JCPenney soft line stores				
Relocations	26	441	12	238
Other	11	167	8	92
Total	37	608	20	330
European operations	4	100	4	28
Drug stores	11	32	2	8
Supermarkets	5	74	2	27
Total	57	814	28	393
Modifications and expansions—net	—	(173)	—	(121)
Net increase	12	3,380	26	2,768
Total in operation at end of year	2,051	57,861	2,039	54,481

A schedule of store space opened in 1975 appears on page 31. A history of retail units and net selling space is included in the Ten Year Operations Summary on page 30.

JCPenney full line stores are located principally as major tenants in large shopping centers of metropolitan areas throughout the United States. These stores vary widely in size and average 89,000 square feet of net selling space. In most stores, about two-thirds of net selling space is devoted to apparel and other soft lines, and the balance to major appliances, furniture, automotive products, and other durables. In addition, most of these stores have a catalog sales center.

Sales per square foot of net selling space for full line stores in operation throughout 1975 were approximately $126. At year end, the Company had 385 full line stores in operation. The Company's store expansion during the 1960's and 1970's has been primarily in full line stores.

Full line stores' profit increased sharply from the 1974 level, reaching a record. Profit margin improved chiefly as a result of more effective control of operating costs and lower interest expense.

JCPenney soft line stores, which average 12,000 square feet of net selling space, sell principally apparel and household textile merchandise. Most of these stores also have a catalog sales center. Many are located in downtown shopping areas of communities with populations under 50,000.

Sales per square foot of net selling space for soft line stores in operation throughout 1975 were approximately $142. At year end, the Company had 1,266 soft line stores in operation. Almost all soft line stores are over 10 years old, and the average store has been in operation over 40 years. During the past 10 years, the Company has closed more than 300 soft line stores and replaced the majority of them with other stores in the same markets.

Soft line stores' profit increased from the 1974 level. Profit margin improved due to more effective control of operating costs and lower interest expense. Catalog sales centers contributed importantly to soft line stores' profit improvement in 1975.

Catalog operations serve customers who order merchandise either through catalog sales centers in the Company's stores or directly by mail from its distribution centers. Each year the Company makes broad distribution of two general catalogs of over 1,000 pages each—a fall and winter catalog and a spring and summer catalog—which are supplemented by special catalogs, including Christmas and other seasonal and promotional catalogs. These catalogs add flexibility to the Company's overall retailing capabilities by offering a wide range of apparel and home and automotive products.

The Company's catalog operations serve the eastern two-thirds of the United States with three distribution centers, totaling 6 1 million square feet.

Total catalog sales, comprising sales through catalog sales centers and by mail order, were $690.2 million in 1975, up 20 4 per cent from $573.2 million in 1974.

Catalog sales centers contributed to store sales as follows:

(In millions)	1975	1974	Per cent increase: All units	Per cent increase: Comparative units
JCPenney stores				
Full line	$216.4	$170.0	27.3	16 8
Soft line	341 0	288.8	18.1	18.5
Drug stores and The Treasury stores	9 3	4.0	130.7	25 3
Total	$566.7	$462.8	22.4	17.9

The number of catalog sales centers in stores at each year end is shown below:

	1975	1974
JCPenney stores		
Full line	308	280
Soft line	1,008	997
Drug stores and The Treasury stores	47	31
Total	1,363	1,308

The Treasury stores, which average 115,000 square feet of net selling space, are freestanding discount-type stores. Broad lines of general merchandise accounted for two-thirds of the 1975 sales volume of Treasury stores, with the remainder attributable to supermarkets operated as integral parts of these stores. Sales per square foot of net selling space for Treasury stores in operation throughout 1975 were approximately $107. At year end, the Company had 37 Treasury stores in operation.

The Treasury stores recorded a loss in 1975 due principally to the effects of a decline in sales of comparative stores and expenses associated with store openings.

European operations consist of stores in Belgium and Italy.

At year end, there were 79 stores in Belgium, with an average of 21,000 square feet of net selling space, operating under the name of Sarma and selling food, general merchandise, and apparel. One store was opened and four stores were closed in Belgium during 1975. Belgian operations include sales of $180.4 million to franchised stores, of which 207 were in operation at year end. Food sales accounted for 57 per cent of 1975 sales in Belgium.

In Italy, there were four stores in the Milan area, with an average net selling space of 47,000 square feet, operating under the Penney name and selling apparel and household textile merchandise.

The following table shows a breakdown of European sales, which exclude value added taxes:

(In millions)	1975	1974	Per cent increase
Belgium	$469 0	$396.6	18.3
Italy	17.2	16.1	6.6
Total	$486.2	$412.7	17.8

In local currencies, sales increased 14.6 per cent in Belgium and 7.5 per cent in Italy.

European operations recorded a profit in 1975 after reflecting a loss in 1974 The Company's procedures with respect to the translation of foreign currencies into U.S. dollars are discussed under Net income and Summary of Accounting Policies on pages 17 and 27.

Net assets of European operations were $62 6 million at year end 1975, compared with $52.4 million at year end 1974.

Drug stores, which average 7,200 square feet of net selling space, offer prescription drugs, health and beauty aid products, and other drug store merchandise. Prescription drugs accounted for approximately 23 per cent of sales in 1975. The Company operates catalog sales centers in 37 of these stores. Drug stores are operated under the name Thrift Drug except in selected markets where they are operated under the name The Treasury Drug Center. Sales per square foot for all drug stores in operation throughout 1975 were approximately $132. At year end, the Company operated 259 drug stores located in 22 states.

Drug stores' profit increased in 1975, chiefly as a result of higher sales.

Supermarkets average 15,000 square feet of net selling space and are located primarily in department and discount stores operated by other retailers. Sales per square foot of supermarkets in operation throughout 1975 were approximately $336. At year end, the Company operated 21 supermarkets in addition to those located in JCPenney, The Treasury, and European stores.

Supermarkets experienced a loss in 1975, principally as a result of the decline in sales.

Investment in and advances to unconsolidated subsidiaries were $370.9 million at year end 1975, compared with $360.9 million at year end 1974. The following tabulation shows a breakdown of the investment, stated at equity in net assets, and advances:

(In millions)	January 31 1976	January 25 1975
J. C. Penney Financial Corporation (see page 20)	$289.6	$269.3
JCPenney Financial Services	78.2	78.5
JCP Realty, Inc.	2.9	12.7
Other	.2	.4
Total	$370 9	$360.9

JCPenney Financial Services, which consists of the operations of the Company's insurance subsidiaries, contributed $4.6 million to net income in 1975, compared with $9.7 million in 1974. The decline was due primarily to increased underwriting losses in the casualty segment of these operations.

The subsidiaries market life and health insurance and automobile and homeowner casualty insurance.

At the end of 1975, life insurance in force totaled $2.8 billion. There were approximately 597,000 life and health insurance policyholders, excluding those covered under group plans Automobile and homeowner insurance policyholders totaled approximately 282,000

In compliance with the Statement of Financial Accounting Standards No. 12—Accounting for Certain Marketable Securities, the insurance subsidiaries adopted in 1975 the lower of aggregate cost or market method of valuing investments in marketable equity securities. Accordingly, a provision, net of applicable deferred taxes, has been made as of December 31, 1975 in the aggregate amount of $4.9 million to recognize the decline of market value below cost. This provision was recorded as a reduction in the equity of JCPenney in the insurance subsidiaries. In prior years, the insurance subsidiaries valued these investments at cost.

Combined financial information on the insurance operations, in accordance with generally accepted accounting principles, is as follows:

Summary of operations

(In millions)	Year ended December 31 1975	1974
Life and health		
Premiums	$67.1	$61.9
Underwriting income	$ 1.4	$ 3.3
Investment income	9.0	8.1
Income before income taxes	$10 4	$11.4
Casualty		
Premiums	$41.6	$31.4
Underwriting (loss)	$ (7.0)	$ (.6)
Investment income	2.9	1.4
Income (loss) before income taxes	$ (4.1)	$ .8
Combined		
Income before income taxes	$ 6.3	$12.2
Income taxes	1.7	2.5
Net income	$ 4.6	$ 9.7

Balance sheet

(In millions)	December 31 1975	December 31 1974
Assets		
Bonds, at amortized cost (market: $109 7 in 1975 and $85.2 in 1974)	$125.5	$103.0
Equity securities, at lower of aggregate cost or market in 1975; at cost in 1974 (market in 1974: $17.8)	24.3	28.7
Loans	35.2	36.1
Real estate, net	20.9	21.0
Deferred policy acquisition costs	32.0	30.0
Other assets	9.9	9.6
	$247.8	$228.4
Liabilities and equity		
Policy and claims reserves	$142 2	$122.0
Other liabilities	6.8	5.9
Current and deferred income taxes	10.1	11.4
Due to J. C. Penney Company, Inc.	5.2	5.2
Mortgage debt	10.5	10.6
Equity of J. C. Penney Company, Inc.	73.0	73.3
	$247.8	$228.4

JCP Realty, Inc. is engaged in the development and operation of shopping centers through participation in joint ventures

At year end, Realty had joint venture interests in 17 shopping centers, of which six were in operation, eight were under construction, and three were in the planning stage.

Realty recorded a small profit in 1975.

Credit sales in 1975 rose to $2.7 billion, up 8.1 per cent from $2.5 billion in 1974. The proportion of credit sales to total sales decreased, however, to 38.9 per cent in 1975 from 39.8 per cent in 1974. In computing these percentages, grocery sales and sales in Europe are excluded because the Company does not offer consumer credit in connection with those sales.

Approximately 88 per cent of total credit sales was on the regular charge account plan, which can be used for almost all types of purchases. The balance was principally on the time payment account plan, which is intended for use in connection with larger purchases. At year end, the number of accounts with outstanding balances was 9.4 million regular accounts and 1.0 million time payment accounts.

Account balances in which any portion was three months or more past due represented 2.6 per cent of the amount of customer receivables at year end 1975, compared with 3.9 per cent at year end 1974.

Required monthly payments under both plans are based on the customers' account balance, with minimum required monthly payments of at least $10 for regular accounts and $5 for time payment accounts. Monthly finance charges do not exceed 1½ per cent of account balances, subject to minimum charges in certain circumstances.

At year end, average account balances and the number of months over which they are collected (average maturities) were as follows:

	Average account balances 1975	1974	Average maturities (In months) 1975	1974
Regular	$142	$140	5.3	5.5
Time payment	282	270	9.7	9.1
All	156	153	5.7	6.1

The Company's policy is to write off accounts when a scheduled payment has not been received for six consecutive months, or if any portion of the balance is more than 12 months past due, or if it is otherwise determined that the customer is unable to pay. Collection efforts continue subsequent to write off, and recoveries are applied as a reduction of bad debt losses

The net cost of the retail credit operation declined in 1975, as shown below:

(In millions)	1975	1974
Service charge income	$202.6	$182.0
Costs		
Administration	107.6	106.2
Interest	82.7	105.4
Provision for doubtful accounts	42.2	47.7
Income taxes	(14.0)	(36.6)
	218.5	222.7
Net cost of credit	$ 15.9	$ 40.7
Net cost as per cent of credit sales	.6%	1.6%

Administration includes the costs of operating credit regional offices and that portion of store costs directly related to credit activities.

Interest expense attributable to the credit operation is computed by applying the average ra.. for borrowings of J. C. Penney Financial Corporation to the average total customer receivables after subtracting deferred income taxes applicable to installment sales.

The provision for doubtful accounts consists of net bad debt losses plus the accrual required to maintain the allowance for doubtful accounts at 2 per cent of customer receivables. Net bad debt losses declined in 1975 to $39.8 million, or 1.5 per cent of credit sales, from $44 6 million in 1974, or 1 8 per cent of credit sales

Income tax effects applicable to the credit operation are based upon JCPenney's effective income tax rate.

Class actions have been instituted in a number of states against retailers, in some cases including the Company, seeking substantial recoveries and a reduction of monthly service charges applicable to revolving charge accounts. The ultimate consequences of all the pending actions are not presently determinable but will not, in the opinion of management, have a material adverse effect on the Company's financial position or results of operations

Receivables were as follows:

(In millions)	January 31 1976	January 25 1975
Customer receivables		
Regular charge account plan	$1,314.5	$1,231.8
Time payment account plan	291 5	255.8
	1,606.0	1,487.6
Less receivables sold to J. C. Penney Financial Corporation	1,289.5	1,442.5
	316.5	45.1
Due from J. C. Penney Financial Corporation	64.5	72.1
Other receivables	115.2	106.7
	496.2	223.9
Less allowance for doubtful accounts	32.2	29.8
Receivables, net	$ 464 0	$ 194.1

Customer receivables due after one year were approximately $270 million at year end 1975, compared with $255 million at year end 1974.

J. C. Penney Financial Corporation, a wholly owned, unconsolidated finance subsidiary, purchased $2.5 billion of customer receivables from JCPenney in 1975, compared with $2.7 billion in 1974. Under its agreement with JCPenney, Financial withholds from the purchase price of the customer receivables an amount sufficient to provide a contract reserve account equal to 5 per cent of the total receivables owned by Financial at the end of each month. In addition, Financial charges JCPenney a discount on the receivables purchased, which is calculated to produce earnings sufficient to cover Financial's fixed charges, chiefly interest on borrowings, at least one and one-half times.

To finance its purchases of receivables, Financial sells its short term notes (commercial paper and master notes) directly to investors and from time to time issues long term debt and utilizes short term bank borrowings. Average short term note borrowings in 1975, net of short term investments, were $645.8 million, compared with $944.0 million in 1974. Financial's interest expense declined from the 1974 level as a result of lower short term interest rates and lower average borrowings. Short term rates averaged 6.2 per cent in 1975, compared with 9 9 per cent in 1974. The rate of interest paid on total debt averaged 6 8 per cent, down from the 1974 average of 9.4 per cent.

Following is the condensed balance sheet of J. C. Penney Financial Corporation:

(In millions)	January 31 1976	January 25 1975
Assets		
Customer receivables	$1,289.5	$1,442.5
Other assets	22 5	22 4
	$1,312.0	$1,464.9
Liabilities and equity		
Notes payable	$ 524.5	$ 719.9
Accrued liabilities	9.0	11.7
Due to J. C. Penney Company, Inc.	64.5	72.1
Long term debt	424.4	391.9
Equity of J. C Penney Company, Inc.	289.6	269.3
	$1,312.0	$1,464.9

Financial's obligations are not guaranteed by JCPenney. At year end, Financial had confirmed lines of credit with 520 banks totaling $852 million, including $772 million available to either JCPenney or Financial, none of which was in use.

The complete financial statements of J. C. Penney Financial Corporation are contained in its 1975 annual report, which is available upon request.

Interest expense declined to $101.0 million in 1975, from $132.8 million in 1974, due to lower short term interest rates and lower average borrowings. The following table details the principal components of interest expense:

(In millions)	1975	1974
Discount on customer receivables sold to J. C. Penney Financial Corporation	$108.8	$149.9
Interest on advances from J. C. Penney Financial Corporation	3.7	21.9
Interest on long term debt	31.9	25.0
Other interest, net	1.8	3.4
	146.2	200.2
Less		
Income of J. C. Penney Financial Corporation before income taxes	39 0	59.6
Capitalized interest on construction in progress and land held for future use	6.2	7.8
	45 2	67.4
Interest expense	$101.0	$132.8

Capitalized interest is computed by applying the average rate for short term borrowings of J. C. Penney Financial Corporation to the average cost of construction in progress and land held for future use. If interest had not been capitalized, net income would have been reduced $2.7 million in 1975 and $3.6 million in 1974.

Income tax expense was as follows:

(In millions)	1975	1974
Current		
Federal	$113.6	$ 58.0
State and local	11.3	12.3
	124 9	70.3
Deferred		
Federal	32.9	29 3
State and local	3.8	1.8
	36.7	31.1
Total income tax expense	$161 6	$101.4
Effective tax rate on income before income taxes and other unconsolidated subsidiaries	46.7%	48.1%

Deferred taxes arise principally from deferred gross profit on the balances due on installment sales and from accelerated depreciation.

The effective tax rate differed from the Federal income tax statutory rate of 48 per cent as detailed below:

	1975		1974	
	Amount (In millions)	Per cent of pre-tax income	Amount (In millions)	Per cent of pre-tax income
Federal income tax at 48 per cent rate	$166.2	48.0	$101.2	48.0
Investment credits	(11.0)	(3.2)	(8.6)	(4.1)
State and local income taxes, less Federal income tax benefit	7.9	2.3	6.5	3.1
Other	(1.5)	(.4)	2.3	1.1
Total income tax expense	$161.6	46.7	$101.4	48.1

Taxes other than income taxes, over half of which are payroll taxes, totaled $149.3 million in 1975, up from $124.4 million in 1974.

Merchandise inventories at year end 1975 were $1,190.7 million, a decrease of 2.3 per cent from the $1,219.2 million at year end 1974. Substantially all inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method. In years prior to 1974, inventories were valued under the first-in, first-out method. If the first-in, first-out method of inventory valuation had been used by the Company, inventories would have been $78.5 million higher at year end 1975 and $40.4 million higher at year end 1974.

Working funds increased $223.2 million during 1975, compared with an increase of $85 6 million in 1974. Working funds consist of current assets less current liabilities, excluding deferred credits, principally tax effects applicable to installment sales. Following is an analysis of changes in working capital and working funds:

(In millions)	1975	1974
Cash and short term investments	$162.0	$ 23.2
Receivables, net	269.9	(21.5)
Merchandise inventories	(28.5)	80.3
Properties to be sold under sale and leaseback agreements	(26.0)	13.9
Prepaid expenses	—	13.8
Notes payable	75.0	(75.0)
Accounts payable and accrued liabilities	(166.3)	46.7
Dividend payable	(1.1)	(.9)
Income taxes and deferred credits	(80.2)	(16 3)
Increase in working capital	204.8	64.2
Deferred credits, principally tax effects applicable to installment sales	18 4	21.4
Increase in working funds	$223.2	$ 85.6

Properties at year end were as follows:

(In millions)	1975	1974
Land	$ 73.9	$ 60.2
Buildings	188.9	216.6
Fixtures and equipment	723.9	679.3
Leasehold improvements	154.7	131.0
Construction in progress and land held for future use	140.0	74.2
	1,281.4	1,161.3
Less accumulated depreciation and amortization	385.9	358.1
Properties, net	$ 895.5	$ 803.2

In 1975, JCPenney sold 19 properties, including its catalog distribution center in Columbus, Ohio, for $148.8 million and leased them back. These transactions had no effect on net income.

Capital expenditures in 1975 totaled $298.4 million, up from $262.5 million in 1974. Included in this amount were expenditures of $21.7 million to renovate older stores. The following tabulation shows 1975 and 1974 capital expenditures:

(In millions)	1975	1974
Land	$ 13.7	$ 16.6
Buildings	84.0	87.3
Fixtures and equipment	103 1	111.0
Leasehold improvements	17.8	27.3
Construction in progress and land held for future use	79.8	20.3
Total capital expenditures	$298.4	$262.5

Capital expenditures by landlords were approximately $145 million in 1975, compared with $90 million in 1974.

Rent expense *for real and personal property increased to* $238.0 million in 1975 from $214.5 million in 1974. Minimum annual rents at year end amounted to $177.3 million. The principal difference between rent expense and minimum annual rents is rent based upon sales. Almost all leases will expire during the next 30 years; however, leases are usually either renewed or replaced by leases on other properties.

The Company's commitments under all leases with non-cancellable original terms of more than one year were $1,208 million at year end 1975 and $941 million at year end 1974. These commitments are stated at the present value of all future minimum payments under these leases after excluding executory expenses, which are property taxes, maintenance, insurance, and other amounts that do not constitute payments for property rights.

The Company's commitments under noncapitalized financing leases, included above, were $907 million at year end 1975 and $721 million at year end 1974. Rent expense applicable to noncapitalized financing leases was $90.5 million in 1975 and $78.1 million in 1974. Minimum annual rents under noncapitalized financing leases at year end amounted to $91.9 million including executory expenses. If financing leases (exclusive of executory expenses) had been capitalized and the resultant property rights amortized on a straight line basis over the primary terms of these leases, net income would have been reduced $11.5 million in 1975 and $8.7 million in 1974. These computations are based upon the following:

(In millions)	1975	1974
Amortization of property rights	$29.5	$24 5
Interest on related lease obligations	$65.7	$52.3
Weighted average interest rate	8 3%	7.9%
Interest rate range	4.0-10 1%	4 0-10.0%

Advertising expense for newspapers, television, radio, and other media, excluding catalog preparation and distribution costs, was $167.9 million in 1975, up from $156 1 million in 1974.

Notes payable. A $200 million three-year revolving credit agreement, entered into in 1974, was terminated in January 1976.

At year end, JCPenney had confirmed lines of credit totaling $832 million, including $772 million available to JCPenney or Financial, none of which was in use. All unused lines of credit are supported by compensating balances, which are also used to compensate the banks for banking services associated with activity.

JCPenney's long term debt is shown below:

(In millions)	January 31 1976	January 25 1975
8⅞ per cent sinking fund (commencing 1980) debentures due 1995	$150.0	$150.0
9 per cent sinking fund (commencing 1984) debentures due 1999	150.0	150.0
4½ per cent Eurodollar subordinated debentures due 1987, convertible at $83.96	35.0	35.0
5 75 to 9.65 per cent Belgian franc loans due through 1996	17 7	20.6
6 per cent Eurodollar subordinated debentures due 1989, convertible at $54.50	10 8	10.8
Other	4.6	6.3
Total long term debt	$368.1	$372.7

The indenture relating to the issuance of the Company's 8⅞ per cent sinking fund debentures places restrictions on the cash purchase of capital stock and the payment of cash dividends. As of January 31, 1976, approximately $1,034 million of reinvested earnings were free of such restrictions. To provide for conversion of debentures, 616 thousand shares of common stock were reserved at January 31, 1976.

Stockholders' equity increased to $1,704 2 million at year end 1975 from $1,407.9 million at year end 1974. Of that increase, $114.6 million resulted from an increase in reinvested earnings

The return on stockholders' equity increased to 13.5 per cent in 1975 from 9.1 per cent in 1974.

In December 1975, the Company sold 3 million shares of its common stock in a public offering, the proceeds of which have been invested initially in prime money market obligations.

The following table shows the changes that occurred in outstanding common stock:

	Shares (In thousands)		Amount (In millions)	
	1975	1974	1975	1974
Balance at beginning of year	59,313	58,527	$365.1	$320.9
Issued in public offering	3,000	—	131.0	—
Issued to savings and profit-sharing plan	769	733	40.6	41.4
Stock options exercised	1	43	—	2.2
Issued upon conversion of 6 per cent debentures	—	7	—	.4
Issued under stock bonus plan	170	—	10.0	—
Other	2	3	.1	.2
Balance at end of year	63,255	59,313	$546.8	$365.1

At year end, approximately 2.0 million shares of common stock were reserved for issuance under the stock bonus and stock option plans and for conversion of debentures.

The number of stockholders increased to approximately 77,000 at 1975 year end from about 76,000 at 1974 year end. At 1975 year end, there were also approximately 71,200 employees owning beneficially 4.8 million shares of common stock through the savings and profit-sharing plan.

JCPenney common stock is traded principally on the New York Stock Exchange. It is also listed on the Brussels and Antwerp Stock Exchanges.

The high and low selling prices on the New York Stock Exchange, by fiscal quarter, were as follows:

	1975		1974	
	High	Low	High	Low
First quarter	$60¼	$47	$75⅞	$68⅛
Second quarter	63¼	47⅛	79¼	66⅛
Third quarter	52	41⅞	66¼	35
Fourth quarter	55¼	45⅜	48¾	35

Retirement plans. Retirement expense was as follows:

(In millions)	1975	1974
Pension	$22.8	$18.4
Savings and profit-sharing	17.4	11.6
Total	$40.2	$30.0

JCPenney's principal pension plan, which is noncontributory, covers substantially all United States employees who have completed 1,000 or more hours of service within a period of 12 consecutive months. Current pension costs are funded annually as incurred, and at year end 1975 all vested benefits were fully funded, based upon market valuation of investments.

In 1974, JCPenney increased certain benefits payable to retired employees through a pension supplement, which added $4.1 million to pension costs in 1975 and $2.1 million in 1974.

The unfunded actuarial liability for pension plans at year end was $51.3 million.

The savings and profit-sharing plan encourages savings by allocating 4½ per cent of the Company's available profits, as defined in the plan, to participants who save under the plan. As of January 1, 1976, the eligibility requirement is the same as that under the Company's principal pension plan.

JCPenney has amended its retirement plans to comply with the provisions of the Employee Retirement Income Security Act of 1974. Commencing in 1976, these amendments and related changes are expected to add about $5 million annually to expense. No significant changes in the Company's funding policies are required under the Act.

Condensed financial statements of the principal retirement plans are as follows:

Balance sheet

(In millions)	December 31 1975	December 31 1974
Assets		
JCPenney common stock at market value: 4.8 million shares in 1975; 4.3 million shares in 1974 (cost: $249.1 in 1975 and $223.5 in 1974)	$239.0	$153.5
Funds with insurance companies	103.8	109.3
Other investments at market value (cost: $97.4 in 1975 and $80.8 in 1974)	90.9	61.5
Other assets, net	36.5	26.7
	$470.2	$351.0
Liabilities and equity		
Reserved for pensions		
Retired participants	$ 13.1	$ 10.1
Active participants	82.0	53.9
Participants' equity in savings and profit-sharing plan	375.1	287.0
	$470.2	$351.0

Statement of changes in retirement plans assets

(In millions)	1975	1974
Total assets at January 1	$351.0	$502.4
Company contributions	37.8	27.6
Participants' contributions	36.7	35.8
Dividends, interest, and other income	14.1	13.3
Market appreciation of investments	70.1	(165.9)
Participants' contributions refunded	—	(12.7)
Benefits paid	(39.5)	(49.5)
Total assets at December 31	$470.2	$351.0

Stock bonus plan. Under the Company's stock bonus plan, 178 thousand shares of common stock were earned in 1975; none was earned in the prior year. At year end, 222 thousand shares were available to be earned in 1976, based upon the rate of increase in earnings per share as defined in the plan.

Stock options. Under the terms of the stock option plan that was approved by stockholders in 1974, either five-year qualified options or ten-year nonqualified options may be granted. All options become exercisable one year from the date of grant.

Transactions in stock options were as follows:

	1975		1974	
	Shares (In thousands)	Option price	Shares (In thousands)	Option price
Balance at beginning of year	138	$24.02-70.44	53	$24.02-53.25
Granted	302	43.44-56.32	134	70.44
Exercised	(1)	24.02-51.50	(43)	24.02-53.25
Expired	(25)	49.25-70.44	(6)	24.02-70.44
Balance at end of year	414	$43.44-70.44	138	$24.02-70.44

Under the plan, 686 thousand shares are available for option grants through January 27, 1979.

Statement of Income
Statement of Reinvested Earnings

(In millions except per share data)

Statement of Income	53 weeks ended January 31, 1976	52 weeks ended January 25, 1975
Sales	$7,678.6	$6,935.7
Costs and expenses		
Cost of goods sold, occupancy, buying, and warehousing costs	5,568.1	5,053.4
Selling, general, and administrative expenses	1,663.2	1,538.6
Interest, after deduction of income of J. C. Penney Financial Corporation before income taxes	101.0	132.8
Total costs and expenses	7,332.3	6,724.8
Income before income taxes and other unconsolidated subsidiaries	346.3	210.9
Income taxes	161.6	101.4
Income before other unconsolidated subsidiaries	184.7	109.5
Net income of other unconsolidated subsidiaries	4.9	9.9
Net income	$ 189.6	$ 119.4
Net income per share of common stock	$ 3.16	$ 2.02

Statement of Reinvested Earnings		
Reinvested earnings at beginning of year	$1,042.8	$ 991 8
Net income for the year	189.6	119.4
Unrealized decline in value of equity securities owned by insurance subsidiaries	(4 9)	—
Dividends	(70.1)	(68.4)
Reinvested earnings at end of year	$1,157.4	$1,042.8

See 1975 Review of Operations and Financial Information on pages 17 to 23
and Summary of Accounting Policies on page 27

Balance Sheet
(In millions)

Assets	January 31, 1976	January 25, 1975
Current assets		
Cash	$ 87.5	$ 52.0
Short term investments	126 5	—
Receivables, net	464.0	194.1
Merchandise inventories	1,190.7	1,219.2
Properties to be sold under sale and leaseback agreements	10.1	36.1
Prepaid expenses	60.9	60.9
Total current assets	1,939.7	1,562.3
Investment in and advances to unconsolidated subsidiaries	370.9	360.9
Properties, net	895.5	803 2
Other assets	19.9	17.0
	$3,226.0	$2,743.4

Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	$ —	$ 75.0
Accounts payable and accrued liabilities	722.3	556.0
Dividend payable	18.4	17.3
Income taxes	86.1	24.3
Deferred credits, principally tax effects applicable to installment sales	245 0	226.6
Total current liabilities	1,071.8	899.2
Long term debt	368.1	372.7
Deferred credits, principally tax effects applicable to depreciation	81.9	63.6
Stockholders' equity		
Preferred stock without par value: Authorized, 5 million shares— issued, none		
Common stock, par value 50¢: Authorized, 75 million shares— issued, 63.3 million shares	546.8	365.1
Reinvested earnings	1,157.4	1,042.8
Total stockholders' equity	1,704.2	1,407.9
	$3,226.0	$2,743.4

See 1975 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27

Statement of Changes in Financial Position

(In millions)

	53 weeks ended January 31, 1976	52 weeks ended January 25, 1975
Funds were generated from:		
Operations		
Net income	$189.6	$119.4
Deduct undistributed net income of unconsolidated subsidiaries	(25.2)	(40.9)
Depreciation and amortization	80.7	70.8
Deferred credits, principally tax effects applicable to depreciation	18.3	11.0
Effects of foreign exchange on long term liabilities	(3.7)	4.8
Stock issued for Company contributions to pension, savings and profit-sharing, and stock bonus plans	23.4	10.6
Total	283.1	175.7
External sources		
Disposition of properties (principally sold and leased back)	125.4	83.7
Increase in long term debt	—	150.0
Stock issued in public offering	131.0	—
Stock issued for employee contributions to savings and profit-sharing plan, exercise of options, and conversion of debentures	27.3	33.6
Total	283.7	267.3
Total funds generated	566.8	443.0
Funds were used for:		
Dividends	70.1	68.4
Capital expenditures	298.4	262.5
Retirement of long term debt	.9	3.6
(Decrease) increase in investment in and advances to unconsolidated subsidiaries	(10.3)	40.8
Change in other assets	2.9	3.5
Total funds used	362.0	378.8
Increase in working capital	204.8	64.2
Increase in other deferred credits, principally tax effects applicable to installment sales	18.4	21.4
Increase in working funds	$223.2	$ 85.6

See 1975 Review of Operations and Financial Information on pages 17 to 23 and Summary of Accounting Policies on page 27.

Accountants' Report

To the Stockholders and Board of Directors of J. C. Penney Company, Inc.

We have examined the balance sheet of J. C Penney Company, Inc. and consolidated subsidiaries as of January 31, 1976 and January 25, 1975, and the related statements of income, reinvested earnings, and changes in financial position for the 53 and 52 week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of J. C. Penney Company, Inc. and consolidated subsidiaries at January 31, 1976 and January 25, 1975, and the results of their operations and changes in their financial position for the 53 and 52 week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for the translation of foreign currencies as described in the 1975 Review of Operations and Financial Information under the caption Net income. Also, in our opinion, the accompanying statistical data on pages 28, 29, 30, and 31 present fairly the information shown therein.

345 Park Avenue
New York, N.Y
March 22, 1976

Peat, Marwick, Mitchell & Co.

Summary of Accounting Policies

The accounting policies employed by JCPenney are in accordance with generally accepted accounting principles. In those instances in which more than one generally accepted accounting principle can be applied, the Company has adopted the accounting principle that it believes most accurately and fairly reflects the situation, as described in the following paragraphs.

Definition of Fiscal Year. JCPenney's fiscal year ends on the last Saturday in January. Fiscal year 1975 ended January 31, 1976; fiscal year 1974 ended January 25, 1975. They comprised 53 weeks and 52 weeks, respectively.

The accounts of several subsidiaries, including the insurance companies, are on the calendar year basis.

Basis of Consolidation. The financial statements present on a consolidated basis the results of all domestic and European merchandising operations and those real estate subsidiaries whose properties are presently being utilized in merchandising operations. Not consolidated are J. C. Penney Financial Corporation, the insurance companies, JCP Realty, Inc., and several small nonretail subsidiaries, which are accounted for on the equity basis.

The income before income taxes of J. C. Penney Financial Corporation is included in the statement of income as a reduction of interest expense. The combined income of all other unconsolidated subsidiaries is included as a single item in the statement of income.

Sales. Sales include merchandise and services, net of returns, and exclude value added and sales taxes. Layaway sales are recorded upon receipt of the initial deposit.

Sales are attributed to the operation that makes the sale to the customer.

Accounts Receivable. Service charge income arising from customer accounts receivable is treated as a reduction of selling, general, and administrative expenses in the statement of income.

The allowance for doubtful accounts represents 2 per cent of customer accounts receivable at year end.

Merchandise Inventories. Substantially all merchandise inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method.

Properties. Interest and certain other carrying costs on construction in progress and land held for future use are capitalized in order to reflect the complete cost of properties. Maintenance and repairs are charged to current operations as incurred, and improvements are capitalized.

Depreciation. The cost of buildings and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. The principal annual rates used in computing depreciation are 3 per cent for store buildings, 2½ per cent to 4 per cent for warehouse buildings, and 10 per cent for fixtures and equipment. Improvements to leased premises are amortized on a straight line basis over the term of the lease or the useful life of the improvement, whichever is shorter.

Income Taxes. JCPenney uses the "flow through" method whereby income taxes are reduced currently for the amounts of investment credits.

Translation of Foreign Currencies. Effective October 1975, JCPenney adopted the Statement of Financial Accounting Standards No. 8—Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements. Accordingly, all foreign currency accounts are translated into U.S. dollars at exchange rates in effect at the end of each period for current assets (excluding inventories) and for all liabilities; at historical exchange rates for inventories, depreciation, and noncurrent assets; and at average exchange rates during the period for income and expense. Gains and losses arising from the retroactive application of Statement No. 8 have been credited or charged to operations in the periods incurred. Under the generally accepted accounting method previously used, inventories were translated at current rates and long term liabilities at historical rates. Gains and losses recognized under previous methods of translation were not material and were credited or charged to operations as incurred.

Deferred Charges. Expenses associated with the opening of new stores are written off in the year of store opening, except for those of stores opened in January, which are written off in the following fiscal year. Catalog preparation and printing costs are written off over the estimated productive lives of the catalogs, not exceeding six months.

Pension Cost. The cost of pension benefits has been determined by the entry age normal method. Past service liabilities are amortized over a period not exceeding 30 years.

Ten Year Financial Summary

	1975	1974	1973	1972	1971
Results for year (In millions)					
Sales	$ 7,679	6,936	6,244	5,530	4,812
Per cent increase from prior year	10.7	11.1	12.9	14.9	10.5
Credit sales as per cent of sales	38.9	39.8	39.4	38.7	36.8
Costs and expenses excluding interest and depreciation	$ 7,151	6,521	5,746	5,105	4,450
Interest	$ 101	133	90	60	54
Depreciation	$ 81	71	61	53	46
Income before income taxes and other unconsolidated subsidiaries	$ 346	211	347	312	262
Per cent of sales	4.5	3.0	5.6	5.6	5.5
Income taxes	$ 162	101	171	155	134
Net income	$ 190	119	186	167	135
Per cent increase (decrease) from prior year	58.8	(35.9)	11.4	23.8	17 3
Per cent of sales	2.5	1.7	3.0	3.0	2.8
Per cent of stockholders' equity	13.5	9.1	16.2	16.7	17.8
Dividends	$ 70	68	64	60	55
Increase in reinvested earnings	$ 115	51	122	107	80
Capital expenditures	$ 298	263	210	186	237
Per share results					
Net income—primary	$ 3 16	2.02	3.20	2.90	2.41
—fully diluted	$ 3 15	2.02	3.19	2.89	2.38
Dividends	$ 1.16	1 16	1.11	1.05	1.01
Stockholders' equity	$ 26 94	23 74	22.43	19 87	17.45
Common stock price range (New York Stock Exchange)					
High	$ 63	79	101	99	78
Low	$ 42	35	59	67	61
Price-earnings ratio					
High	38	25	35	37	33
Low	24	11	19	29	28
Financial position at year end (In millions)					
Assets	$ 3,226	2,743	2,440	2,169	1,935
Working funds	$ 1,113	890	804	733	554
Customer receivables					
J. C. Penney Financial Corporation, net of 5 per cent withheld	$ 1,225	1,370	1,190	1,043	825
J. C. Penney Company, Inc., net	$ 349	87	118	68	47
Merchandise inventories	$ 1,191	1,219	1,139	1,047	878
Long term debt	$ 368	373	222	219	212
Stockholders' equity					
Beginning of year	$ 1,408	1,313	1,152	999	760
Conversion of debentures	$ —	—	1	15	132
Stock issued—public offering	$ 131	—	—	—	—
Stock issued—employee benefit plans and other	$ 50	44	38	31	27
Increase in reinvested earnings	$ 115	51	122	107	80
End of year	$ 1,704	1,408	1,313	1,152	999
Stockholders and employees					
Number of stockholders at year end	77,000	76,000	75,000	74,000	71,000
Average number of shares outstanding (millions)	60	59	58	58	56
Number of employees at year end	186,000	193,000	200,000	175,000	162,000

1970	1969	1968	1967	1966
4,355	3,913	3,379	2,927	2,703
11.3	15.8	15.5	8.3	12.2
36.9	37.4	35.5	35.4	33.2
4,032	3,595	3,082	2,698	2,501
65	51	31	24	21
38	35	29	27	24
220	232	237	178	157
5.1	5.9	7.0	6.1	5.8
110	121	127	85	75
115	115	112	95	83
.3	2.6	18.1	14.6	2.1
2.6	2 9	3.3	3.2	3.1
16.8	18.7	20.6	19.2	18.2
53	53	47	46	44
62	62	65	49	39
213	176	128	111	71
2.13	2.14	2.10	1.78	1.55
2.07	2 08	2.06	1.78	1.55
1.00	1.00	.90	.90	.86
14.06	12.75	11.47	10.19	9.26
62	57	51	35	33
37	44	28	29	24
30	27	25	22	20
18	21	17	17	16
1,719	1,479	1,211	957	850
492	408	422	277	297
758	675	533	483	440
29	26	57	14	13
790	717	617	487	491
327	172	125	—	—
686	614	544	493	454
—	—	—	—	—
—	—	—	—	—
12	10	5	2	—
62	62	65	49	39
760	686	614	544	493
69,000	67,000	62,000	58,000	58,000
54	54	53	53	53
152,000	137,000	119,000	104,000	102,000

Management's Discussion of Recent Results

1974 Compared with 1973

Sales advanced 13.1 per cent in the first three quarters of 1974, reflecting substantially the effect of inflation. In the fourth quarter, however, the rate of sales gain dropped to 6 8 per cent as unit sales declined. Inventory problems, which were prevalent throughout most of the retailing industry, combined with reduced consumer spending, led to intense price competition resulting in heavy markdowns.

Sales in 1974 increased 11.1 per cent, with inflation accounting for approximately 8 per cent of sales.

Net income in 1974 declined 35 9 per cent from the 1973 level. Contributing to this result, in addition to the erosion in unit sales and gross profit margin, was an increase in the ratio to sales of selling, general, and administrative expenses, caused chiefly by the effect of inflation Interest expense increased 48 per cent due to higher borrowing levels as well as to higher short term interest rates

In 1974, the Company adopted the last-in, first-out method of inventory valuation for substantially all domestic inventories. This change in accounting reduced net income in 1974 by $21 0 million or 36 cents per share.

1975 Compared with 1974

Net income in the first half of 1975 declined 38 3 per cent from that of the comparable prior year period. Although total sales increased 5.6 per cent in the first half of 1975, there was a decline of 0.4 per cent in sales of comparative stores, which was principally a result of the continuing effects of the recession

The strong rebound in the second half produced a 58 8 per cent increase in net income for the full year. Sales for the 53 week fiscal year increased 10.7 per cent, with inflation accounting for approximately 3 per cent of the year's sales.

Contributing to the increase in net income, in addition to sales, were lower ratios to sales of cost of goods sold and selling, general, and administrative expenses. The improvement in the cost of goods sold ratio was largely a result of reduced markdowns. The decline in the selling, general, and administrative expense ratio was due substantially to lower salary expense in relation to sales, which resulted from more effective staffing and less inflationary pressure on salary levels.

In 1975, interest expense declined $31.8 million from the prior year level as a result of lower short term rates and lower average borrowings, the latter of which was due principally to lower customer receivables during most of the year and to improved inventory turnover.

For additional discussion and analysis of 1975 compared with 1974, including the results of each operating division, see To Our Stockholders on pages 2 to 4 and the 1975 Review of Operations and Financial Information on pages 17 to 23.

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
JCPenney stores—full line										
Number of stores	385	354	334	308	270	240	208	176	141	108
Net selling space (million sq. ft.)	34.3	31.2	29.2	26.6	22.8	19.4	16.5	13.7	10.4	7.4
Sales (millions)	$4,089	3,570	3,111	2,567	1,994	1,628	1,327	1,002	661	478
Sales per square foot	$ 126	120	113	104	96	93	91	86	79	79
JCPenney stores—soft line										
Number of stores	1,266	1,289	1,302	1,335	1,370	1,407	1,438	1,476	1,517	1,548
Net selling space (million sq. ft.)	15.3	15.6	15.9	16.9	17.5	18.1	18.4	19.0	19.4	19.5
Sales (millions)	$2,189	2,151	2,067	2,085	2,079	2,119	2,156	2,106	2,051	2,042
Sales per square foot	$ 142	136	125	121	118	116	115	110	106	105
Catalog										
Number of sales centers	1,363	1,308	1,243	1,131	1,079	1,019	944	660	637	565
Number of distribution centers	3	3	2	2	2	2	2	1	1	1
Distribution space (million sq. ft.)	6.1	6.1	4.1	4.1	4.1	4.1	4.1	2.0	2.0	2.0
Sales—total (millions)	$ 690	573	479	388	303	245	199	151	131	98
The Treasury stores										
Number of stores	37	31	25	23	19	13	10	10	6	5
Net selling space (million sq. ft.)	4.2	3.7	3.0	2.8	2.3	1.5	1.2	1.2	.7	.5
Sales (millions)	$ 452	385	350	285	242	146	128	85	54	49
Sales per square foot	$ 107	118	119	117	122	113	108	97	98	92
Drug stores										
Number of stores	259	255	239	216	205	189	171	157	148	138
Net selling space (million sq. ft.)	1.9	1.7	1.5	1.3	1.2	1.0	.9	.8	.7	.7
Sales (millions)	$ 231	191	155	132	112	98	84	72	63	55
Sales per square foot	$ 132	121	117	110	111	112	103	95	88	86
Supermarkets										
Number of supermarkets	21	24	24	23	22	23	20	17	16	13
Net selling space (million sq. ft.)	.3	.4	.4	.3	.3	.3	.3	.2	.2	.2
Sales (millions)	$ 109	116	111	100	97	88	72	57	46	38
Sales per square foot	$ 336	322	325	337	320	295	299	260	255	261
European operations										
Number of stores	83	86	89	92	89	92	95			
Net selling space (million sq. ft.)	1.8	1.9	1.8	1.7	1.3	1.2	1.2			
Sales (millions)	$ 486	413	349	272	211	204	84*			
Sales per square foot	$ 168	140	129	124	118	119	49*			

Catalog merchandise sold through catalog sales centers located in the Company's stores is included in the sales of those stores. Total catalog sales, as shown above, include sales through catalog sales centers and through mail order. Drug and grocery sales through JCPenney and The Treasury stores are included in the sales of those stores. Food sales by European operations are included in the sales of those operations. The statistics shown above for drug stores and supermarkets are exclusive of their operations in JCPenney and Treasury stores.

Sales per square foot include only those stores in operation for the full year.

*Reflects sales of Sarma, S.A. from July 31, 1969, date of purchase

Store Space Opened in Fiscal 1975

Date opened	City, state, shopping center	Gross square feet of store space (In thousands)
JCPenney stores		
Jan. 30	*Independence, Missouri	23
Feb. 19	*Tyler, Texas (Tyler Shopping Center)	148
Apr. 16	City of Industry, California (Puente Hills Mall)	179
Apr. 30	*Indianapolis, Indiana (Washington Square)	218
May 7	Catonsville, Maryland (Security Square)	177
May 14	Southfield, Michigan (Northland Shopping Center)	324
May 14	Shreveport, Louisiana (South Park Shopping Center)	218
May 21	Harper Woods, Michigan (Eastland Shopping Center)	279
July 16	*Goldsboro, North Carolina (Berkeley Mall)	77
July 23	*Austin, Minnesota (Austin Mall)	48
July 23	*Rock Hill, South Carolina (Rock Hill Shopping Center)	42
July 30	Arcadia, California (Santa Anita Shopping Center)	228
July 30	Charlotte, North Carolina (Eastland Mall)	178
July 30	Dallas, Texas (Red Bird Mall)	214
July 30	*St. Albans, Vermont (St. Albans Shopping Center)	17
July 30	*Macon, Georgia (Macon Mall)	177
Aug. 6	Winston-Salem, North Carolina (Hanes Mall)	217
Aug. 13	*Butte, Montana	50
Aug. 13	Durham, North Carolina (South Square Plaza)	172
Aug. 13	Progress, Oregon (Washington Square)	222
Aug. 27	*Daytona Beach, Florida (Volusia Mall)	145
Oct. 1	*Erie, Pennsylvania (Millcreek Mall)	179
Oct. 1	*Muskogee, Oklahoma (Curt's Mall)	30
Oct. 1	*Portland, Oregon	78
Oct. 1	*Sedalia, Missouri (Thompson Hills Shopping Center)	30
Oct. 8	*Frankfort, Kentucky (Franklin Square)	31
Oct. 13	*Greece, New York (Long Ridge Mall)	153
Oct. 15	*Cleveland, Tennessee (Cleveland Mall)	45
Oct 15	*Janesville, Wisconsin (Janesville Mall)	140
Oct. 22	*Muscatine, Iowa (Muscatine Plaza)	48
Oct. 22	*West Covina, California (West Covina Fashion Center)	219
Oct. 29	Glens Falls, New York (Aviation Mall)	90
Nov. 5	*Santa Fe, New Mexico (De Vargas Shopping Center)	48
Nov. 5	Carson City, Nevada (Carson Mall)	61
Nov. 5	*Metairie, Louisiana (Lakeside Shopping Center)	204
Nov. 5	*Griffin, Georgia (Griffin Plaza)	53
Nov. 12	Laguna Hills, California (Laguna Hills Mall)	179
Nov. 19	Aurora, Colorado (Aurora Mall)	177
Jan. 7	*Galesburg, Illinois (Sandburg Mall)	97
Jan. 7	Morgantown, West Virginia (Mountaineer Mall)	84
Jan. 7	*Akron, Ohio (Rolling Acres Shopping Center)	183
Jan. 14	Media, Pennsylvania (Granite Run Mall)	160
Jan. 14	Culver City, California (Fox Hills Mall)	224
Jan. 21	Clearwater, Florida (Countryside Mall)	176
Jan. 28	Fairview Heights, Illinois (St. Clair Square)	174
The Treasury stores		
Mar. 5	Newark, California	153
Mar. 5	Pleasant Hill, California	152
Mar. 5	San Jose, California	139
Mar. 5	San Leandro, California	134
Mar. 5	South San Francisco, California	149
Mar. 5	Sunnyvale, California	150
European operations		
Mar. 19	Nivelles, Belgium	70
Drug stores (15 stores opened)		215
Supermarkets (2 stores opened)		53
Gross store space opened		7,431

*Relocation of existing store.

Directors

Louis L. Avner
President,
Thrift Drug Company

Kenneth S. Axelson
Senior Vice President

William M. Batten*
Retired,
Formerly Chairman of the Board,
J. C. Penney Company, Inc.

William M. Ellinghaus*
Vice Chairman,
American Telephone and
Telegraph Company

Baldwin L. Humm
Senior Vice President

Jack B. Jackson
President

Vernon E. Jordan, Jr.*
Executive Director,
National Urban League
(community service organization)

Juanita M. Kreps*
Vice President,
Duke University

Gavin K. MacBain*
Chairman of the Board,
Bristol-Myers Company
(pharmaceuticals and toiletries)

Walter J. Neppl
Executive Vice President

Donald V. Seibert
Chairman of the Board

Charles T. Stewart
Senior Vice President

George S. Stewart
Senior Vice President

Cecil L. Wright*
Retired,
Formerly President,
J. C. Penney Company, Inc

Walter B. Wriston*
Chairman,
Citicorp and Citibank, N A
(commercial banking and
financial services)

Officers

Donald V. Seibert
Chairman of the Board

Jack B. Jackson
President

Walter J. Neppl
Executive Vice President

*Member of the Audit Committee of the Board of Directors

Senior Vice Presidents

Kenneth S. Axelson
Director of Finance and Administration

Baldwin L. Humm
Director of Merchandise

Charles T. Stewart
General Counsel and Director of Public Affairs

George S. Stewart
Director of Corporate Facilities and Services

Vice Presidents

Robert Capone
Director of Systems and Data Processing

Andrew Cumming
Director of Corporate Personnel

Albert W. Driver, Jr.
Secretary and Assistant General Counsel

Howard M. Evans
Director of Marketing—JCPenney Stores

Paul A. Feaman
Director of Distribution

Robert B. Gill
Director of Merchandise Operations

Ralph B. Henderson
Director of Catalog Operations

Galen R. Hogenson
Director of European Operations

Arthur Jacobsen
Director of JCPenney Financial Services

Paul R. Kaltinick
Treasurer

Benjamin J. McKinney
Director of Store and Facilities Planning

David F. Miller
Director of Regional Coordination

Lee S. Moore
Special Assignment

Robert E. Northam
Controller

Foster E. Sears
Director of Real Estate

George M. Stone
Director of Government Relations

John A. Wells
Director of The Treasury Stores
and Supermarkets

Regional Vice Presidents

Oscar J. Hunter
Eastern Regional Manager

William A Perry
Central Regional Manager

Stanley J. Putman
Southeastern Regional Manager

Marvin L. Tanner
Southwestern Regional Manager

Robert R. Van Kleek
Western Regional Manager

Divisional Vice Presidents

Clifford D. Anderson
Director of Public Relations

Charles L. Brown
Director of Auditing

William R. Howell
Director of Domestic Development

Thomas J Lyons
Director of International Development

N. Robert Maines
Director of Planning and Research

J. Alan Ofner
Director of Organization Development

Eugene F. Rowan
Manager of Federal Government Relations

Satenig S St. Marie
Director of Consumer Affairs

Assistant Controller

John F. Wood

Assistant Secretaries

Archibald E. King, Jr.

J David Silvers

Elting H. Smith

Assistant Treasurers

John B Hebard

Paull F. Hubbard

E. Harlin Smith

Transfer Agents

Chemical Bank
770 Broadway
New York, New York 10003

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60690

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Securityholder Services
3801 Kennett Pike
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Wilmington, Delaware 19807

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1 Chase Manhattan Plaza
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Continental Illinois National Bank
and Trust Company of Chicago
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Chicago, Illinois 60690

Wilmington Trust Company
Wilmington, Delaware 19899

Exchange Listings

New York Stock Exchange
Brussels and Antwerp Stock Exchanges

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